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

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

MAJOR TRANSACTION DISPOSAL OF SENIOR NOTES

THE DISPOSAL

Reference is made to the announcement of the Company dated 21 June 2018 relating to the subscription of Notes issued by the Issuer in the subscription amount of HK\$50 million.

The Board is pleased to announce that on 22 June 2020 (after trading hours), the Seller (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, whereby the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Sale Notes in the principal amount of HK\$25 million for a total consideration of HK\$25 million.

In respect of the remaining Notes held by the Seller in the principal amount of HK\$25 million (which does not form part of the Disposal), the Seller and the Sale Noteholders (who form the majority of the Noteholders) shall give their respective consent to irrevocably extend the Original Maturity Date to the Second Extended Maturity Date, i.e. 22 June 2021 (which is a further extension of the First Extended Maturity Date) in accordance with the terms of the Notes Instrument.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but all are less than 75%, the Disposal 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 Purchaser 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 Disposal, 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 Disposal and other information will be despatched to the shareholders of the Company on or before 24 July 2020.

INTRODUCTION

Reference is made to the announcement of the Company dated 21 June 2018 relating to the subscription of the Notes (the "**Announcement**").

As disclosed in the Announcement, the Seller subscribed to the Notes issued by the Issuer in the subscription amount of HK\$50 million.

The Board is pleased to announce that on 22 June 2020 (after trading hours), the Seller (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, whereby the Seller has agreed to sell, and the Purchaser has agreed to purchase, the Sale Notes in the principal amount of HK\$25 million for a total consideration of HK\$25 million.

In respect of the remaining Notes held by the Seller in the principal amount of HK\$25 million (which does not form part of the Disposal), the Seller and the Sale Noteholders (who form the majority of the Noteholders) shall give their respective consent to irrevocably extend the Original Maturity Date to the Second Extended Maturity Date, i.e. 22 June 2021 (which is a further extension of the First Extended Maturity Date) in accordance with the terms of the Notes Instrument.

THE SALE AND PURCHASE AGREEMENT

Summarised below are the principal terms of the Sale and Purchase Agreement:

Date:	22 June 2020
Seller:	China Tonghai Capital (Holdings) Limited (formerly known as Oceanwide Financial (Holdings) Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
Purchaser:	VMS CSW 1 Land Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of VMS Real Estate Fund SPC
Subject Matter:	the Sale Notes in the principal amount of HK\$25 million
Consideration:	HK\$25 million, the whole sum of which will be paid in cash at Completion
Completion Date:	29 June 2020 or such other date as the parties may agree in writing

The net profits attributable to the Sale Notes to the Group for the financial years ended 31 December 2018 and 2019 are HK\$0.4 million (before taxation) and HK\$0.3 million (after taxation), and HK\$2.5 million (before taxation) and HK\$2.1 million (after taxation), respectively.

Completion

The Completion is conditional upon and subject to:

- (i) the receipt by the Purchaser, the Seller and the Sale Noteholders of a written confirmation from the Notes Trustee, confirming that the Seller and the Sale Noteholders have consented to irrevocably extend the Original Maturity Date to the Second Extended Maturity Date, i.e. 22 June 2021 (which is a further extension of the First Extended Maturity Date) in accordance with the terms of the Notes Instrument with effect from the Original Maturity Date;
- (ii) each of the Sale Noteholders having entered into sales and purchase agreement with the Purchaser in respect of each of their holdings of Notes (the “**Other Agreements**”), and none of the Other Agreements have been terminated; and

- (iii) the Purchaser shall deliver to the Seller, a fee letter confirming the agreement that in consideration of the execution of the Sale and Purchase Agreement and to extend the Original Maturity Date to the Second Extended Maturity Date, the Purchaser shall pay an upfront extension fee (which is equivalent to one percent (1%) of the total outstanding principal amount of the Notes held by the Seller after Completion together with any accrued and unpaid interest under the Sale Notes of the Seller from the next day of the date of the Sale and Purchase Agreement to the Completion Date) in the amount of approximately HK\$293,000.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

It is expected that the Group will record gains of approximately HK\$0.6 million in the current financial year, as a result of the Disposal, subject to review and audit by the auditors of the Company. The gains represent the difference between the amount to be received under the Disposal and the extension of the Notes and the carrying amount of the Sale Notes of approximately HK\$24.7 million as of 31 December 2019. It is expected that the net proceeds from the Disposal which is about HK\$25.3 million will be used for general working capital of the Group.

EXTENSION OF THE NOTES

Based on the terms of the Notes Instrument, the Original Maturity Date of the Notes is 2 years after the Issue Date i.e. 22 June 2020, which may be extended to the First Extended Maturity Date upon delivery of an Extension Notice by the Issuer and subject to the consent of the majority of the Noteholders. Thereafter, the First Extended Maturity Date may be further extended to the Second Extended Maturity Date upon delivery of a further Extension Notice by the Issuer and subject to the consent of the majority of the Noteholders.

On 22 June 2020, the Seller and the Sale Noteholders, delivered a letter to the Notes Trustee, whereby the Seller and the Sale Noteholders, by virtue of the said letter, have waived the requirement in connection with the delivery of an Extension Notice pursuant to the Notes Instrument, and have irrevocably consented to extend the Original Maturity Date to the Second Extended Maturity Date, i.e. 22 June 2021 (which is a further extension of the First Extended Maturity Date) in accordance with the terms of the Notes Instrument.

Upon the extension of the Notes, the Seller shall continue to receive interest income in respect of the remaining Notes held by the Seller in principal amount of HK\$25 million at the relevant coupon rate in accordance with the Notes Instrument as set out in the Announcement.

All other terms and conditions of the Notes as set out in the Notes Instrument shall remain valid and in force.

REASONS FOR AND BENEFITS OF THE DISPOSAL

On 21 June 2018, the Group had subscribed to the Notes in the principal amount of HK\$50 million for investment purpose. Prior to the Original Maturity Date, the Seller and the Sale Noteholders entered into discussions with the Purchaser with regards to the arrangement in respect of the Notes.

Following negotiations with the Purchaser, the Seller and the Sale Noteholders agreed with the Purchaser that the Original Maturity Date may be extended to the Second Extended Maturity Date and that the Seller and the Sale Noteholders will respectively sell part of the Notes held by them to the Purchaser.

The Directors consider that the Disposal provides the Seller with a good opportunity to realise part of the investment in the Notes in order to enhance the liquidity of the Group. In respect of the Sale Notes, the Seller has received a coupon amount in the amount of approximately HK\$3.7 million from the Issue Date to the Original Maturity Date. The extension of the remaining Notes held by the Seller in the amount of HK\$25 million will allow the Group to continue to earn the coupon amount at an attractive coupon rate until the Second Extended Maturity Date. The Group will also receive an extension fee (which is equivalent to one percent (1%) of the total outstanding principal amount of the Notes held by the Seller after Completion together with any accrued and unpaid interest under the Sale Notes of the Seller from the next day of the date of the Sale and Purchase Agreement to the Completion Date) under the terms of the fee letter from the Purchaser to the Seller. The Directors consider that the Disposal and the extension of the Notes is consistent with the investment purpose of the subscription of the Notes.

The Consideration to be paid by the Purchaser was determined after arms-length negotiations between the Purchaser and the Seller and represents the principal amount of the Sale Notes. Accordingly, the Directors consider the Disposal (including the Consideration) is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP AND THE SELLER

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 Seller 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 PURCHASER

The Purchaser is a company incorporated in the British Virgin Islands, and is wholly-owned by VMS Real Estate Fund SPC and its VMS CSW 1 Fund Segregated Portfolio incorporated in the Cayman Islands. The Purchaser has engaged VMS Real Estate Investment Management Limited to be the project manager, and the ultimate beneficial owner of the project manager is Ms. Viola MAK Siu Hang. The Purchaser is principally engaged in investment holdings.

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

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 25% but all are less than 75%, the Disposal 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 Disposal, 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 Disposal and other information will be despatched to the shareholders of the Company on or before 24 July 2020.

DEFINITIONS

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

“Board”	the board of Directors
“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”	completion of the sale and purchase of the Sale Notes under the Sale and Purchase Agreement

“Consideration”	HK\$25 million, the whole sum of which will be paid in cash at Completion
“Controlling Shareholder”	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the British Virgin Islands with limited liability
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Notes by the Seller contemplated under the Sale and Purchase Agreement
“Extension Notice”	a duly completed extension notice by the Issuer
“First Extended Maturity Date”	22 December 2020, the date which is 6 months after the Original Maturity Date
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) who/which are not connected with (within the meaning of the Listing Rules) and are independent of the directors, chief executives and substantial shareholders the Group or any of their associates
“Issue Date”	22 June 2018
“Issuer” or “Purchaser”	VMS CSW 1 Land Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of VMS Real Estate Fund SPC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Noteholders”	the holders of the Notes
“Notes”	the variable rates senior secured notes due 2020 issued by the Issuer
“Notes Instrument”	the terms and conditions of the Notes

“Notes Trustee”	Madison Pacific Trust Limited, a company incorporated in Hong Kong with limited liability
“Original Maturity Date”	22 June 2020
“Sale and Purchase Agreement”	the sale and purchase agreement dated 22 June 2020 entered into by the Seller and the Purchaser in respect of the sale and purchase of the Sale Notes
“Sale Noteholders”	the Noteholders other than the Seller
“Sale Notes”	the Notes disposed of by the Seller pursuant to the Sale and Purchase Agreement, in the principal amount of HK\$25 million
“Second Extended Maturity Date”	22 June 2021, the date which is 6 months after the First Extended Maturity Date
“Seller”	China Tonghai Capital (Holdings) Limited (formerly known as Oceanwide Financial (Holdings) Limited), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“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, 22 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