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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)

**VOLUNTARY ANNOUNCEMENT
PROPOSED AMENDMENTS TO THE TERMS ON
THE SUBSCRIPTION OF THE CONVERTIBLE BONDS**

This announcement is made voluntarily by China Tonghai International Financial Limited (the “**Company**”).

Reference is made to the announcement of the Company dated 31 December 2018 in relation to the subscription of the Convertible Bonds issued by the Issuer to Well Foundation, an indirect wholly-owned subsidiary of the Company, in the principal amount of HK\$19,612,000 (the “**Announcement**”). The Subscription was completed on 25 March 2019. As at the date of this announcement, there is no redemption of the Convertible Bonds by the Issuer nor transfer or sales of the Convertible Bonds by Well Foundation.

Capitalised terms used in this announcement shall have the same meaning as those defined in the Announcement unless the context requires otherwise.

THE PROPOSED AMENDMENTS

On 10 September 2020, the Issuer, the bondholders being Well Foundation and Filled Converge (each a “**Bondholder**” and collectively the “**Bondholders**”) entered into the supplemental deeds (the “**Supplemental Deeds**”) in relation to the proposed amendments on the Subscription Agreement and the terms and conditions of the instrument constituting the Convertible Bonds (the “**CB Amendments**”) pursuant to which it is agreed that subject to the fulfillment of the conditions precedent, and among others, the Bondholders having received evidence from the Issuer that a deposit of RMB300 million (the “**Deposit**”) has been made into a designated PRC bank account or securities account

as agreed by the Issuer and the Bondholders in writing on or before 15 November 2020 and if extended, not more than 1 month after 15 November 2020, certain terms of the Convertible Bonds will be amended as follows:

1. the interest rate of the Convertible Bonds shall be increased from 8% per annum to 10% per annum from the completion date of the Supplemental Deeds (the “**New Interest Rate**”); and
2. the Conversion Price shall be adjusted from HK\$0.475 to HK\$0.270 per Conversion Shares (subject to adjustments) (the “**New Conversion Price**”).

This condition precedent of Deposit can be waived by the Bondholders under their absolute discretion collectively. The grant of waiver is on the condition that the Issuer can show to the satisfaction of the Bondholders that the subject of the Share Charges and Equity Pledges are free from encumbrances and the Equity Pledges are registrable under the PRC law.

In the event the condition precedent of Deposit is waived by the Bondholders, the Issuer shall have to comply with the following condition subsequent to the Subscription Agreement as amended under the Supplemental Deeds within 1 month from the completion date of the CB Amendments (or such other time as the Issuer and the Bondholders may agree in writing):

The Bondholders shall have received from the Issuer documents to evidence that the Share Charges and Equity Pledges have been duly executed and filed by all parties thereto in the form and substance satisfactory to the Bondholders.

Other than the proposed CB Amendments in the above, all other terms and conditions of the Convertible Bonds shall remain unchanged.

Upon completion of the CB Amendments, the Convertible Bonds held by Well Foundation are convertible into 72,637,037 Shares at the New Conversion Price, representing approximately 3.67% of the issued share capital of the Issuer as at the date of the announcement or approximately 2.31% of the enlarged issued share capital as enlarged by the issue of all Conversion Shares.

The New Conversion Price of the Convertible Bonds of HK\$0.270 per Conversion Share represents:

- (i) a premium of approximately 5.88% over the closing price of the shares of the Issuer of HK\$0.255 on 10 September 2020, being the last full trading day of the shares of the Issuer on the Stock Exchange immediately prior to the signing of Supplemental Deeds (the “**Last Trading Day**”);
- (ii) a premium of approximately 4.65% over the average closing price of the shares of the Issuer for the five consecutive trading days prior to the Last Trading Day of HK\$0.258; and

(iii) a premium of approximately 4.45% over the average closing price of the Shares for the ten consecutive trading days prior to the Last Trading Day of HK\$0.2585.

Assuming the Conversion Rights attaching to the Convertible Bonds are exercised in full at the New Conversion Price of HK\$0.270 per Conversion Share, 1,162,203,703 Conversion Shares will fall to be issued to the Bondholders, representing approximately 58.72% of the issued capital of the Issuer as at the date of this announcement and approximately 37.00% of the issued share capital of the Issuer as enlarged by the issue and allotment of the Conversion Shares.

REASON AND BENEFITS FOR THE CB AMENDMENTS

The Issuer is closed to the completion of a disposal transaction (the “**Disposal**”) and certain assets involved in the Disposal are among the assets of the Equity Pledges and the Share Charges (the “**Security**”) made by the Issuer in favour of the Bondholders, being the conditions subsequent for the subscription of the Convertible Bonds. The conditions subsequent cannot be satisfied and there will be no security to support the due and punctual payment of the Convertible Bonds as a result of the completion of the Disposal. The details of the Disposal can be found in the circular of the Issuer dated 24 December 2019. The amended terms as stated in the above is to compensate the Bondholders for a higher risk exposure in respect of the Convertible Bonds without any Security.

Assuming the maturity date of the Convertible Bonds being 24 March 2021 (the “**Maturity Date**”) is not extended and any of the Convertible Bonds is not converted before the Maturity Date, it is estimated the Company will receive an extra income of approximately HK\$180,000 as a result of the New Interest Rate.

As at the date of this announcement, the share price of the Issuer has dropped 50% since Well Foundation has become the holder of the Convertible Bonds on 25 March 2019. The New Conversion Price reflects the current market price of the Issuer which provides the Company a better opportunity to convert the Convertible Bonds before the Maturity Date.

Also as part of the proceeds of the Disposal being RMB300 millions shall be deposited to the PRC designated account for the purpose of repayment of the Convertible Bonds to the Bondholders if it is not converted before the Maturity Date or 24 March 2022 (if extended), the Disposal will secure the source of funding for the repayment of principal amount of HK\$19,612,000 and the accrued interest on the Maturity Date (if the Convertible Bonds is not converted).

Taking into account of the reasons in the above and the proposed CB Amendments is made 6 months before the Maturity Date, the Directors consider the terms of the CB Amendments are determined after arm’s length negotiations between the Issuer and the Bondholders and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION OF THE LISTING RULES

The transactions contemplated under the CB Amendments do not constitute a notifiable transaction of the Company and therefore is not subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

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

Hong Kong, 10 September 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. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia