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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)**

### **ANNOUNCEMENT PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE, RULE 13.09 OF THE LISTING RULES AND PART XIVA OF THE SECURITIES AND FUTURES ORDINANCE**

This announcement is made by Southwest Securities International Securities Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) pursuant to Rule 3.7 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

#### **POTENTIAL SALE AND PURCHASE OF THE SHARES OF THE COMPANY**

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, as informed by Southwest Securities International Investment Limited (西證國際投資有限公司) (“**SSII**”), the immediate controlling shareholder of the Company, on 30 December 2022 (after trading hours), SSII had entered into a memorandum of understanding (the “**MOU**”) with an independent third party (the “**Potential Purchaser**”) in relation to the potential sale and purchase of the shares of the Company (the “**Shares**”) and the transactions contemplated thereunder.

#### **THE MOU**

Pursuant to the MOU, the Potential Purchaser intends to purchase from SSII (i) 2,713,469,233 Shares held by SSII (representing approximately 74.1% of the total issued Shares of the Company and the entire shareholding held by SSII of the Company); and (ii)

the perpetual securities in the aggregate principal amount of HK\$580,000,000 issued by the Company to SSII on 8 October 2019 (the “**Potential Transaction(s)**”). According to the terms of the MOU:

1. SSII shall not negotiate with any other party relating to the sale and purchase of its interests in any part of the Shares for a period of two months from the date of the MOU (the “**1st Exclusivity Period**”), which is extendable for an additional period of four months upon mutual agreement of SSII and the Potential Purchaser (the “**2nd Exclusivity Period**”, together with the 1st Exclusivity Period, the “**Exclusivity Periods**”).
2. The Potential Purchaser shall pay an earnest money of HK\$5,000,000 (the “**Earnest Money**”) to SSII within five days after the signing of the MOU. In the event that a formal sale and purchase agreement is to be entered into within either of the Exclusivity Periods, the Earnest Money shall be convertible in full as part of the consideration payable by the Potential Purchaser in respect of the subject matters of the formal sale and purchase agreement.
3. The Potential Purchaser intends to acquire the Company for the purpose of expanding of its financial service business. The Potential Purchaser shall negotiate with the Company on its plans for business expansion and recruitment of personnel for the business (the “**Business Plan**”), and further undertakes that the representations made in the Business Plan shall be true and not misleading, and shall not be in breach of any applicable laws and regulations to any material extent.
4. The Potential Purchaser undertakes to procure a third party independent of SSII, the Company and Potential Purchaser, and not a party acting in concert with the Potential Purchaser to provide to the Company a loan in an amount of no more than HK\$70,000,000, to facilitate the redemption of the outstanding U.S. Dollar-denominated bonds issued by the Company in February 2021.
5. The MOU shall be terminated (i) upon the signing of the formal sale and purchase agreement; (ii) upon expiry of the Exclusivity Period(s); (iii) upon mutual agreement or (iv) in the event that the Potential Purchaser is in breach of its undertakings in respects of the Business Plan (whichever occurs first). Upon the termination of the MOU, the Exclusivity Period(s) shall accordingly be terminated.
6. If prior to the expiry of the 1st Exclusivity Period, SSII and the Potential Purchaser are unable to enter into a formal sale and purchase agreement, HK\$1,000,000, representing 20% of the Earnest Money, shall become non-refundable and SSII shall be entitled to use such money to reimburse its costs incurred in respect of the Potential Transactions.

7. If prior to the expiry of the 2nd Exclusivity Period (provided that SSII and the Potential Purchaser had mutually agreed to enter into the 2nd Exclusivity Period), SSII and the Potential Purchaser are unable to enter into a formal sale and purchase agreement, HK\$2,000,000, representing 40% of the Earnest Money, shall become non-refundable and SSII shall be entitled to use such money to reimburse its costs incurred in respect of the Potential Transactions.

Save for the terms relating to the Earnest Money, the Exclusivity Periods, the Business Plan, confidentiality, expenses, governing law and jurisdiction, SSII and the Potential Purchaser agreed that all other terms in the MOU shall have no binding effect.

The Company controls four wholly-owned subsidiaries which are the Securities and Futures Commission (“SFC”) licensed entities, namely (i) Southwest Securities (HK) Futures Limited, (ii) Southwest Securities (HK) Brokerage Limited, (iii) Southwest Securities (HK) Asset Management Limited and (iv) Southwest Securities (HK) Capital Limited (collectively, the “Licensed Corporations”). The Licensed Corporations are licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, respectively, under the SFO.

In accordance with the requirement of the SFO, if the Potential Transactions in respect of the acquisition by the Potential Purchaser of the 2,713,469,233 Shares held by SSII shall materialise, the Potential Purchaser will become the substantial shareholder the Licensed Corporations. Transfer of the control of the Licensed Corporations shall require prior approval of the SFC under the SFO.

The Potential Transactions are subject to further negotiation and execution of a formal sale and purchase agreement between the parties.

## **INFORMATION OF THE POTENTIAL PURCHASER**

According to the information provided by SSII, the Potential Purchaser is a company incorporated in Hong Kong with limited liability. The Potential Purchaser and its beneficial owner are third parties independent to and not connected with the Company, its directors, chief executive, substantial shareholders, subsidiaries and/or their respective associates.

## **POSSIBLE GENERAL OFFER FOR THE SHARES AND TAKEOVERS CODE IMPLICATIONS**

Subject to a formal sale and purchase agreement being entered into and the satisfaction or waiver (as the case may be) of such conditions precedent to completion as may be specified therein, it is contemplated that upon completion of the Potential Transactions, the Potential Purchaser and parties acting in concert with it will hold approximately 74.1% of the issued Shares of the Company. In accordance with the requirement of the Takeovers Code, if the Potential Transactions materialise, an obligation on the part of the Potential Purchaser and

parties acting in concert with it will be triggered for them to make a mandatory unconditional general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Potential Purchaser and parties acting in concert with it) under Rule 26.1 of the Takeovers Code. As of the date of this announcement, no formal agreement has been entered into in respect of the Potential Transactions, the negotiations are still in progress and the Potential Transactions may or may not proceed.

## **RELEVANT SECURITIES OF THE COMPANY**

As of the date of this announcement, the Company has in issue a total of 3,661,830,613 Shares. Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date hereof.

## **MONTHLY UPDATE**

In compliance with Rule 3.7 of the Takeovers Code, monthly update announcement(s) will be made until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

## **DEALING DISCLOSURE**

For the purposes of the Takeovers Code, the offer period commences on the date of this announcement, being 30 December 2022. In accordance with Rule 3.8 of the Takeovers Code, respective associates of the Company and the Potential Purchaser (as defined in the Takeovers Code, including among others, the Shareholders and shareholders of the Potential Purchaser having interests of 5% or more in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and the Potential Purchaser) are hereby reminded to disclose their dealings in the securities of the Company pursuant to the requirements of the Takeovers Code.

## **RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES**

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

*“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases,*

*likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

“Executive” referred to above has the meaning ascribed to it under the Takeovers Code.

**WARNING: THERE IS NO ASSURANCE THAT THE POTENTIAL TRANSACTIONS WILL MATERIALISE OR EVENTUALLY BE CONSUMMATED AND THE RELEVANT DISCUSSIONS MAY OR MAY NOT LEAD TO A GENERAL OFFER UNDER RULE 26.1 OF THE TAKEOVERS CODE. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR STOCK BROKERS, BANK MANAGERS, SOLICITORS OR OTHER PROFESSIONAL ADVISERS.**

By Order of the Board  
**Southwest Securities International Securities Limited**  
**Zhang Hongwei**  
*Chairman*

Hong Kong, 30 December 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Zhang Hongwei (Chairman) and Mr. Huang Changsheng; and the independent non-executive directors of the Company are Mr. Meng Gaoyuan, Mr. Liang Jilin and Mr. Cao Ping.*

*The directors of the Company jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.*

\* For identification purpose only