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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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE SECOND ASSIGNMENT**



華富建業企業融資有限公司

QUAM CAPITAL LIMITED

THE SECOND ASSIGNMENT

On 6 June 2023 (after trading hours), the Assignors and the Second Assignee entered into the Second Deed of Assignment, pursuant to which the Assignors conditionally agreed to assign to the Second Assignee 80% of their respective rights and interests under the Assigned Contracts and the Debts pursuant to the Facility Agreement and the Security Documents and the Second Assignee conditionally agreed to accept such assignment for a consideration of HK\$240 million, of which approximately HK\$137 million shall be attributable to China Tonghai Finance, one of the Assignors and an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined under the Listing Rules) set out in Rule 14.07 of the Listing Rules in respect of the Second Assignment exceeds 5% but is less than 25%, the Second Assignment constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

A. BACKGROUND

Reference is made to (i) the announcement of the Company dated 25 March 2022; and (ii) the circular of the Company dated 27 May 2022 in relation to the First Deed of Assignment. The Borrower utilised the Facility of HK\$294 million on 21 March 2019 but has failed to make any payments since 7 March 2020 in accordance with the terms of the Facility. On 25 March 2022, the Assignors and the First Assignee entered into the First Deed of Assignment pursuant to which the Assignors agreed to sell and the First Assignee agreed to purchase the Sale Loan for a consideration of HK\$321 million, of which approximately HK\$199.3 million was attributable to the HK\$166 million lent by China Tonghai Finance.

Up to 30 June 2022, being the long stop date of the First Deed of Assignment, the First Assignee had paid HK\$64.2 million to the Assignors, representing 20% of the agreed consideration. Of which, China Tonghai Finance had received monies of HK\$40 million. Accordingly, the transaction contemplated under the First Deed of Assignment has not been completed. Pursuant to the terms of the First Deed of Assignment, the Assignors shall proceed with a partial assignment of their respective rights and interests in the Assigned Contracts and the Debt to the First Assignee.

On 5 June 2023 (after trading hours), the Assignors and the First Assignee entered into the First Partial Assignment Deed, pursuant to which the Assignors conditionally agreed to assign to the First Assignee 20% of their respective rights and benefits under the Assigned Contracts and the Debt and the First Assignee conditionally agreed to accept such partial assignment. The First Assignee has paid HK\$64.2 million to the Assignors, which shall be taken as the consideration.

Completion of the First Partial Assignment is conditional upon the fulfillment of the following conditions precedent:

- (i) each of the Assignors and the First Assignee has obtained all the necessary authorisations (including their respective board resolutions) and shareholder resolutions to enter into the First Partial Assignment Deed and complete the First Partial Assignment;
- (ii) the First Partial Assignment shall be a joint assignment by both Assignors; and
- (iii) the First Assignee has fulfilled its payment obligation to pay all of the costs and expenses of the Assignors in connection with the First Partial Assignment Deed.

As at the date of this announcement, the First Partial Assignment is completed.

B. THE SECOND ASSIGNMENT

On 6 June 2023 (after trading hours), the Assignors and the Second Assignee entered into the Second Deed of Assignment, pursuant to which the Assignors conditionally agreed to assign to the Second Assignee 80% of their respective rights and interests under the Assigned Contracts and the Debts pursuant to the Facility Agreement and the Security Documents and the Second Assignee conditionally agreed to accept such assignment for a consideration of HK\$240 million, of which approximately HK\$137 million shall be attributable to China Tonghai Finance, one of the Assignors and an indirect wholly-owned subsidiary of the Company.

THE SECOND DEED OF ASSIGNMENT

The principal terms of the Second Deed of Assignment are set out below:

- Date: 6 June 2023
- Parties: (i) China Tonghai Finance, as the agent and an assignor;
(ii) China Tonghai Guaranteed Return Segregated Portfolio, as an assignor; and
(iii) Mr. YUAN Wanyong, as the assignee.
- Subject matter: The Assignors have conditionally agreed to assign to the Second Assignee 80% of their respective rights and interests under the Assigned Contract and the Debt and the Assignee has conditionally agreed to accept such assignment.
- Consideration: As consideration for the Second Assignment, the Second Assignee shall pay to the Assignors a consideration in the amount of HK\$240 million, among which HK\$137 million shall be attributable to China Tonghai Finance and HK\$103 million shall be attributable to China Tonghai Guaranteed Return Segregated Portfolio.

The consideration of HK\$240 million shall be paid as follows:

- (i) a non-refundable deposit of HK\$4 (or RMB equivalent) million shall be paid on or before the date of the Second Deed of Assignment; and this deposit, if paid, shall form part of the first instalment;

- (ii) the first instalment of HK\$24 million (or RMB equivalent) shall be paid within three business days after the signing date of the Second Deed of Assignment;
- (iii) the second instalment of HK\$100 million shall be paid on the Completion Date;
- (iv) the third instalment HK\$36 million (or RMB equivalent) shall be paid within six months from the Completion Date; and
- (v) the final instalment of HK\$80 million (or RMB equivalent) shall be paid within twelve months from the Completion Date.

The aforementioned non-refundable deposit has been received before the date of signing of the Second Deed of Assignment.

Long stop date: 31 August 2023 or any other date as agreed among the Assignors and the Second Assignee in writing.

Conditions precedent: Completion of the Second Deed of Assignment is conditional upon the fulfillment of the following conditions precedent:

- (i) each of the Assignors has obtained all the necessary authorisations (including their respective board resolutions) and, if applicable, shareholder resolutions of the China Tonghai Finance enter into the Second Deed of Assignment and complete the Second Assignment;
- (ii) if required or reasonably deemed required by the Assignors, each Assignor's parent company has passed its board resolutions to approve the Second Deed of Assignment and the Second Assignment;

- (iii) if required or reasonably deemed required by China Tonghai Finance, the Second Deed of Assignment and the Second Assignment are approved by the Shareholders at the special general meeting or written Shareholders' approval (as the case maybe) pursuant to the requirements under the Listing Rules);
- (iv) the Assignors have obtained the relevant regulatory clearance including the Stock Exchange on the Second Assignment and the transaction contemplated therein;
- (v) the Second Assignment shall be a joint assignment by both Assignors;
- (vi) evidence that the Assignee has duly opened a security account at the Custodian; and
- (vii) due execution of the Account Charge and an undated deed of Reassignment.

When completion of the Second Deed of Assignment cannot take place due to the default of the Second Assignee and the Completion Date is not extended, the Second Deed of Assignment shall be terminated forthwith and the parties shall have no further rights, obligations and claims on the other party under the Second Deed of Assignment after such termination unless the breach occurs before termination.

In the event the third instalment and/or the final instalment of the consideration is not paid in time, provided that a default notice has been duly given to the Second Assignee within three business days of such default and such consideration remains unpaid after seven business days after the Second Assignee's receipt of such default notice, the Account Charge has become enforceable without further notice by the Assignors. The Second Assignee (as the chargor under the Account Charge) acknowledges that the Assignors (as the chargees under the Account Charge) may enforce all or any part of the Assets in the Custodian Account and take possession or hold or dispose of the Assets to satisfy the outstanding payment obligations of the Second Assignee under the Second Deed of Assignment and the Assignors can demand the Second Assignee to reassign the Assigned Interest back to the Assignors (the "**Reassignment**"). All the costs and expenses involved under such circumstance shall be borne by the Second Assignee.

In alternate, the Second Assignee must pay the Assignors within seven business days after a written demand from the Assignors the outstanding payment and interest on such outstanding payment to the Assignors which is due and payable by the Second Assignee but unpaid from and including the due date up to but excluding the date of actual payment and at an interest rate of 12% per annum.

Completion:

Completion of the Second Deed of Assignment shall take place within three business days from the confirmation of satisfaction of all conditions precedent by the Assignors in writing.

The Completion Date shall fall on a date on or before the Long Stop Date unless the Assignors and the Second Assignee agree to extend the Long Stop Date.

Reassignment: Where there are no Assets in the Custodian Account (or the Assets (primarily the 80% Convertible Bonds) are not sufficient to settle the remaining consideration) and the Assignors do not exercise the option under those stated in “Consideration” clause above to demand for the outstanding payment, the Assignors can demand the Second Assignee and the Second Assignee irrevocably undertakes to reassign the Assigned Interest back to the Assignors. The Assignors agree that after the Reassignment, the Second Assignee shall have no further obligation to pay the third instalment and/or the final instalment of the consideration. Upon completion of the Reassignment, all the rights and obligations of the parties under the Second Deed of Assignment shall be discharged and a party shall have no recourse and claim against the other parties (including the payment of outstanding consideration).

The Second Deed of Assignment is not conditional on completion of the First Partial Assignment Deed.

C. FINANCIAL EFFECTS OF THE SECOND ASSIGNMENT

As at 31 May 2023, the gross amount before impairment due from the Borrower to China Tonghai Finance and its net carrying amount were approximately HK\$187 million and HK\$48 million, respectively.

There would be a gain of HK\$89 million which represents the consideration of HK\$137 million receivables by China Tonghai Finance over the net carrying amount of HK\$48 million due from the Borrower in relation to the completion of the Second Assignment.

As at 31 May 2023, the Group has advanced and guaranteed to China Tonghai Guaranteed Return Segregated Portfolio at total net carrying amount of HK\$11 million and HK\$85 million, respectively. Upon completion of the Second Assignment, the advances would be fully settled and guarantee balance would be reduced to HK\$28 million and there would be a total gain of HK\$73 million, which represent the reversal of the accumulative provision made on the advance of HK\$16 million and the reduction of guarantee balance by HK\$57 million.

By combining the above effect, the Group’s asset and profit will increase by HK\$105 million and HK\$162 million, respectively and the Group’s liability will decrease by HK\$57 million.

D. INFORMATION ON THE GROUP AND THE ASSIGNORS

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

China Tonghai Finance is an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability. It is a registered money lender holding a valid money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending services.

China Tonghai Guaranteed Return Segregated Portfolio is a segregated portfolio of China Tonghai Funds SPC Limited, an exempted company incorporated and registered as segregated portfolio company under the laws of the Cayman Islands. All the management share of China Tonghai Funds SPC Limited is held by China Tonghai Asset Management (BVI) Ltd., a company incorporated in the BVI, which is an indirect wholly-owned subsidiary of the Company.

E. INFORMATION ON THE SECOND ASSIGNEE

The Second Assignee is Mr. YUAN Wanyong. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Second Assignee (i) is an Independent Third Party and does not have any relationships with the Group and connected persons of the Company; (ii) is independent of the First Assignee and its ultimate beneficial owner; and (iii) was the ultimate beneficial owner of the First Assignee at the time of entering into the First Deed of Assignment.

F. REASONS FOR AND BENEFITS OF THE SECOND ASSIGNMENT

The Borrower has failed to fulfil its payment obligations under the Facility since 7 March 2020. Despite numerous attempts to recover the Sale Loan from the Borrower, no payment from the Borrower has been received. Against this backdrop, the First Deed of Assignment was entered into among the Assignors and the First Assignee in March 2022. Subsequently, the First Assignee has partially settled the agreed consideration under the First Deed of Assignment. As a result, the First Partial Assignment Deed was entered into among the Assignors and the First Assignee on 5 June 2023 to effect the First Partial Assignment pursuant to the contractual terms as set out in the First Deed of Assignment. Following completion

of the First Partial Assignment, the Assignors will transfer 20% of their respective rights and interests under the Assigned Contracts and the Debt pursuant to the Facility Agreement and the Security Documents to the First Assignee.

The Second Assignment provides an opportunity for the Group to realise its remaining interest in the Assigned Contracts and the Debt. Taking into consideration of the credit profile of the Borrower as well as the lengthy process and significant costs to be incurred for the enforcement and sale of the collaterals, the Directors consider that the Second Assignment is a preferable option. The consideration was determined after arm's length negotiations after taking into consideration of, among other things, the amount of the outstanding debt due from the Borrower to China Tonghai Finance and the outstanding debt is long overdue. The Company intends to use the consideration from the Second Assignment for its general working purpose, which will strengthen the Group's liquidity position. In view of the aforesaid, the Directors consider that the terms of the Second Deed of Assignment are fair and reasonable and the Second Assignment is in the interests of the Company and the Shareholders as a whole.

G. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratios (as defined under the Listing Rules) set out in Rule 14.07 of the Listing Rules in respect of the Second Assignment exceeds 5% but is less than 25%, the Second Assignment constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

H. DEFINITIONS

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

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| “Account Charge” | the account charge dated on or before the Completion Date in the form of a deed pursuant to which the Second Assignee charges its Custodian Account maintained at the Custodian in favour of the Assignors |
| “Assets” | 80% of the Convertible Bonds, the shares after conversion of the 80% of the Convertible Bonds (“Conversion Shares”), dividend of the Conversion Shares, interest of the 80% of the Convertible Bonds, cash and other proceeds from the sale of the Conversion Shares and 80% of the Convertible Bonds, Loan Receivable and other Assigned Interest in the Custodian Account charged in favour of the Assignors under the Account Charge from time to time |

“Assigned Contracts”	the Facility Agreement and the Security Documents (and includes any amendments, replacements and supplements in relation thereto)
“Assigned Interest”	80% of Assignors’ present and future rights, title, benefit and interests from time to time in and to the Assigned Contracts and the Debt, including without limitation, present and future claims
“Assignors/Lenders”	China Tonghai Finance and China Tonghai Guaranteed Return Segregated Portfolio
“Board”	the board of Directors
“Borrower”	Filled Converge Limited, a company incorporated in the BVI with limited liability which is wholly-owned by Mr. ZHANG Zhixiang, the sole director and shareholder of the Borrower
“BVI”	the British Virgin Islands
“China Tonghai Finance”	China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability and a registered money lender holding a valid money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) and is principally engaged in the business of money lending services
“China Tonghai Guaranteed Return Segregated Portfolio”	China Tonghai Guaranteed Return Segregated Portfolio, a segregated portfolio of China Tonghai Funds SPC Limited, an exempted company incorporated and registered as segregated portfolio company under the laws of the Cayman Islands
“Company”	China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange (stock code: 952)
“Completion Date”	the date specified as the completion date in the completion notice, being a date which occurs within 3 business days from the confirmation of satisfaction of all conditions precedent by the Assignors in writing

“Convertible Bonds”	the convertible bonds in the principal amount of HK\$356,375,000 issued by China Ruifeng Renewable Energy Holdings Limited (stock code: 527) to the Borrower on 28 April 2022. The convertible bonds was charged by the Borrower under a security assignment deed dated 10 October 2022
“Custodian”	Quam Securities Limited, an indirect wholly-owned subsidiary of the Company
“Custodian Account”	the securities account to be opened and maintained in the name of the Second Assignee at the Custodian in which Assets will be placed
“Debt”	all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each obligor under each Assigned Contract
“Director(s)”	the director(s) of the Company
“Facility”	a loan facility in an aggregate amount of HK\$294 million under the Facility Agreement
“Facility Agreement”	the facility agreement dated 1 March 2019 entered into among the Lenders, the Borrower and the agent in relation to the provision of the Facility
“First Assignee”	EBG Capital Holdings Limited, a company incorporated in the BVI with limited liability
“First Deed of Assignment”	the deed of assignment entered into among the Assignors and the First Assignee on 25 March 2022
“First Partial Assignment”	the assignment of 20% of the rights and interests of the Assignors under the Assigned Contract and Debts to the First Assignee pursuant to the terms and conditions of the First Partial Assignment Deed
“First Partial Assignment Deed”	the deed of assignment entered into among the Assignors and the First Assignee dated 5 June 2023 in relation to the First Partial Assignment
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

“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 is/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 respective associates
“Long Stop Date”	31 August 2023 or such other date as agreed between the Assignors and the Second Assignee in writing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Receivable”	any repayment of the outstanding loan principal and interest from the Borrower under the Facility Agreement after Completion
“Reassignment”	as defined in the section headed “The Second Deed of Assignment” in this announcement
“Sale Loan”	the outstanding principal amount, accrued interest in the Assignors’ participation in the Facility and the Assignors’ rights, obligations and other entitlement under the Facility Agreement
“Second Assignee”	Mr. YUAN Wanyong
“Second Assignment”	the assignment of the 80% of the rights and interests of the Assignors under the Assigned Contract and Debts to the Second Assignee pursuant to the terms and conditions of the Second Deed of Assignment
“Second Deed of Assignment”	the deed of assignment entered into among the Assignors and the Second Assignee dated 6 June 2023 in relation to the Second Assignment
“Security Documents”	has the meaning given to the term “Transaction Security Document” in the Facility Agreement and includes any document designated as a “Finance Document” by the Assignors and the Borrower
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent

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

Hong Kong, 6 June 2023

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

Executive Directors:

Mr. HAN Xiaosheng (*Co-Chairman*)
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing (*Co-Chairman*)
Mr. LAM Wai Hon

Independent Non-executive Directors:

Mr. Roy LO Wa Kei
Mr. LIU Jipeng

Non-executive Director:

Mr. FANG Zhou