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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)

MAJOR TRANSACTION
DISPOSAL OF CONVERTIBLE BONDS

THE SALE AND PURCHASE AGREEMENT

Reference is made to the announcements of the Company dated 2 October 2015 and 25 February 2016, and the circular of the Company dated 30 October 2015 in relation to subscription of the Convertible Bonds.

The Board announces that on 30 December 2016 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement in relation to the disposal of the Convertible Bonds in the principal amount of US\$30,000,000 (equivalent to approximately HK\$234,000,000) to the Purchaser for a cash consideration of not exceeding US\$31,172,000 (equivalent to approximately HK\$243,141,600).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

GENERAL

A circular containing, among other things, details of the Sale and Purchase Agreement as required under the Listing Rules is expected to be despatched to the Shareholders on or before 23 January 2017.

On the bases that (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Disposal; and (ii) written approval of the Disposal will be obtained from Southwest Securities International Investment Limited, being the controlling Shareholder of the Company which is entitled to vote on the resolutions in relation to the Disposal and holding 1,811,796,822 Shares (representing approximately 74.22% of the issued share capital of the Company as at the date of this announcement), it is proposed that no physical general meeting will be convened to approve the Disposal pursuant to Rule 14.44 of the Listing Rules. Should the Company fail to obtain the written approval from its controlling Shareholder, a special general meeting will be convened to consider and approve, among other things, the Disposal.

Reference is made to the announcements of the Company dated 2 October 2015 and 25 February 2016, and the circular (the “**Circular**”) of the Company dated 30 October 2015 in relation to subscription of the Convertible Bonds.

The Board announces that on 30 December 2016 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, the principal terms of which are set out as follows:

THE SALE AND PURCHASE AGREEMENT

Date: 30 December 2016

Parties: the Company (as vendor); and
the Purchaser (as purchaser).

To the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Assets to be disposed of:

The Convertible Bonds in the principal amount of US\$30,000,000 (equivalent to approximately HK\$234,000,000) which are owned by the Company on the date of this announcement.

Upon full exercise of the conversion right attaching to the Convertible Bonds, the maximum number of Conversion Shares to be allotted and issued by XinRen Aluminum pursuant to the full conversion of the US\$30,000,000 Convertible Bonds is 39,385,914 shares (based on the issue size of the US\$30,000,000 Convertible Bonds, the initial conversion price and assuming no adjustments to the initial conversion price, and using a fixed US\$ to SG\$ conversion rate of US\$1 = SG\$1.326), which represents approximately 3.02% of the total issued share capital of XinRen Aluminum and represents approximately 2.93% of the total issued share capital of XinRen Aluminum as enlarged by the allotment and issue of the Conversion Shares.

Consideration:

The total Consideration for the Convertible Bonds shall be settled in cash by the Purchaser in the following manner:

- (i) the 1st installment of US\$30,000,000 (equivalent to approximately HK\$234,000,000), being the principal amount of the Convertible Bonds, shall be deposited to bank account designated by the Company on the Completion Date; and
- (ii) the 2nd installment, being (a) the interest receivable under the Convertible Bonds for the period covering from 29 August 2016 to the Completion Date; and (b) the premium which is the amount payable by the Purchaser to the Company in order to achieve 8.5% internal rate of return for the Company for the period from subscription date of the Convertible Bonds by the Company to the Completion Date.

The 2nd installment of the Consideration shall be deposited to bank account designated by the Company on or before 28 February 2017 or such other date as the Company and the Purchaser may mutually agree in writing. Subject to any extension of the Long Stop Date, it is expected that the 2nd installment of the Consideration will not exceed US\$1,172,000 (equivalent to approximately HK\$9,141,600), and the total Consideration will not exceed US\$31,172,000 (equivalent to approximately HK\$243,141,600).

The Consideration was determined after arm's length negotiations between the Company and the Purchaser and by making reference to (i) the principal amount of the Convertible Bonds; (ii) the interest received and to be received for the period covering from the subscription date of the Convertible Bonds by the Company to the Completion Date; and (iii) 8.5% internal rate of return for the Company for the period covering from the subscription date of the Convertible Bonds by the Company to the Completion Date.

Conditions Precedent:

Completion of the Sale and Purchase Agreement is conditional upon the fulfillment or waiver (save for conditions (i), (ii) and (vi)) of the following conditions:

- (i) the Company having complied with all the requirements of the Listing Rules in relation to the transaction contemplated under the Sale and Purchase Agreement;
- (ii) the Company having obtained all necessary consent, authorizations, approvals and in relation to the transaction contemplated under the Sale and Purchase Agreement, including but not limited to the approval from the Shareholders pursuant to the relevant requirements under the Listing Rules;
- (iii) no default having taken place or event of default having occurred and continuing, before the Completion Date, as the case may be, in relation to the Convertible Bonds in accordance with any of the finance documents in relation to the Convertible Bonds;

- (iv) each of the warranties made by the Company under the Sale and Purchase Agreement being correct;
- (v) the registrar and the common security agent of the Convertible Bonds having accepted or otherwise completed the “know your client” process with respect to the Purchaser; and
- (vi) the registrar and the common security agent of the Convertible Bonds having acknowledged that the relevant transfer documents and information in relation to the transaction under the Sale and Purchase Agreement are in place and they will implement the transfer (including but not limited to issuance of a new bond certificate in the name of the Purchaser and enter the name of the Purchaser into the convertible bond register) upon receipt of the executed transfer documents.

The Company and the Purchaser shall use all reasonable endeavours to fulfill or procure the fulfillment of the relevant conditions precedent set out above on or before the Long Stop Date. If the conditions precedent not fulfilled or waived (if applicable) on or before the Long Stop Date, the Sale and Purchase Agreement shall terminate and the parties thereto shall be released and discharged from all obligations thereunder (save for any liabilities in respect of any antecedent breaches occurring prior to such termination).

Warranties of the Purchaser:

The Purchaser agrees and undertakes that it shall maintain a positive net asset value, and shall not sell or transfer any of the Convertible Bonds and remain as the legal and beneficial owner of the Convertible Bonds until the 2nd installment of the Consideration is paid to the Company.

Completion:

Completion of the Sale and Purchase Agreement shall take place within three business days after the conditions precedent to the Sale and Purchase Agreement has been fulfilled or waived (if applicable) or such other date as the Company and the Purchaser may mutually agree in writing.

INFORMATION OF THE CONVERTIBLE BONDS AND XINREN ALUMINUM

The principal terms and conditions of the Convertible Bonds are set out in the circular of the Company dated 30 October 2015. As at the date of this announcement, there has been no material change to such terms and conditions and the Company has not exercised any conversion right attaching to the Convertible Bonds.

XinRen Aluminum is a vertically integrated maker of primary aluminum products in the PRC. Established in the 1970s, XinRen Aluminum is involved in key stages of aluminum smelting, fabrication and trading, where it derives revenue from the sale of ingots and plates, as well as sheets, coils and foils which are used in a diverse range of sectors such as consumer, transport and construction. As set out in the announcement of the Company dated 25 February 2016, Merit Stand Inc. made an offer for all the issued shares of XinRen Aluminium. Such offer was completed and the shares of XinRen Aluminum have been delisted from the Singapore Exchange Securities Trading Limited on 26 May 2016.

The following audited financial information is extracted from the financial reports of XinRen Aluminum:

	For the year ended 31 December 2014 (Restated) RMB'000	For the year ended 31 December 2015 (Audited) RMB'000
Revenue	14,481,787	25,756,498
Profit from continuing operations before income tax	1,008,929	881,570
Profit from continuing operations after income tax	748,156	649,519
Loss from discontinued operation after income tax	(140,961)	(226,743)
Profit after income tax	607,195	422,776
	As at 31 December 2014 (Audited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Net assets	5,588,847	5,620,063

INFORMATION OF THE GROUP

The Group is principally engaged in futures broking, securities broking and margin financing, corporate finance, wealth management and insurance broking, money lending and proprietary trading.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in the Cayman Islands with limited liability and is principally engaged in strategic credit investment.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Having considered the lack of liquidity of the Conversion Shares following the delisting of the shares of XinRen Aluminum from the Singapore Exchange Securities Trading Limited on 26 May 2016 as a result of completion of a voluntary conditional cash offer, the Directors are of the view that the Disposal will enable the Group to realize the investment in the Convertible Bonds and use the net proceeds from the Disposal for general corporate purposes.

Based on the aforesaid, the Directors believe that the Disposal is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Assuming the completion of the Sale and Purchase Agreement would take place on the Long Stop Date, it is expected that the Company will recognize a loss of approximately US\$172,000 (equivalent to approximately HK\$1,341,600) from the Disposal. Such estimated loss is calculated at the Consideration less the carrying value of the Convertible Bonds and the interest receivable under the Convertible Bonds covering the period from 29 August 2016 to the Completion Date.

USE OF PROCEEDS

It is expected that the net proceeds from the Disposal of not exceeding US\$31,172,000 (equivalent to approximately HK\$243,141,600) will be used for general corporate purposes.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“Company”	Southwest Securities International Securities Limited (西證國際證券股份有限公司*), a company incorporated with limited liability in Bermuda, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion Date”	the date of completion of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser for the Convertible Bonds under the Sale and Purchase Agreement
“Conversion Shares”	new shares of XinRen Aluminum to be allotted and issued by XinRen Aluminum upon conversion of the Convertible Bonds in accordance with the terms of the Convertible Bonds
“Convertible Bonds”	the 8% secured convertible bonds due 2020 issued by XinRen Aluminum in the principal amount of US\$30,000,000, which are owned by the Company on the date of this announcement
“Directors”	the directors of the Company
“Disposal”	the disposal of the Convertible Bonds by the Company to the Purchaser pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	10 February 2017 or such other date as the Company and the Purchaser may agree in writing
“percentage ratios”	as defined under the Listing Rules

“Purchaser”	Singularity Advisory (Cayman) Ltd, a company incorporated in Cayman Islands
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 December 2016 entered into between the Company and the Purchaser in relation to the Disposal
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SG\$”	Singapore dollar, the lawful currency of Singapore
“US\$”	United States dollar, the lawful currency of United States of America
“XinRen Aluminum”	XinRen Aluminum Holdings Limited, a company incorporated in Singapore
“%”	per cent.

By Order of the Board
Southwest Securities International Securities Limited
Wu Jian*
Chairman

Hong Kong, 30 December 2016

As at the date of this announcement, the executive Directors are Mr. Wu Jian (Chairman), Mr. Pu Rui* (Chief Executive Officer), Mr. Zhang Chunyong*, Mr. Xu Mingdi* and Ms. Liang Yiqing*; and the independent non-executive Directors are Professor Wu Jun*, Mr. Meng Gaoyuan* and Mr. Guan Wenwei.*

Unless otherwise specified in this announcement, amounts denominated in US\$ have been converted into Hong Kong dollars at US\$1.00 to HK\$7.80 for illustration purpose only. No representation has been made by the Company that any amount have been, could have been or could be converted at the above rate or at any other rates or at all.

* For identification purpose only