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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)

**(1) MAJOR TRANSACTION
AND SPECIAL DEAL
IN RELATION TO
THE SETTLEMENT ARRANGEMENT; AND
(2) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER**

Financial Adviser to China Tonghai International Financial Limited



華富建業企業融資
QUAM CAPITAL

BACKGROUND

On 21 September 2017 and 30 August 2019, the Company and Tohigh entered into the Tohigh Framework Agreements, pursuant to which, among others, the Group shall provide guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to Tohigh and the Tohigh Group or vice versa. As at the date of this announcement, the outstanding principal and interests owing from the Borrower to China Tonghai Finance Limited, an indirectly wholly-owned subsidiary of the Company amounted to approximately HK\$1,350.6 million.

Provision of loans is one of the principal businesses of the Group. Provision of loans to the Tohigh Group allows the Group to capture their financing needs and to generate additional income for the Group. The Group has provided loans to the Tohigh Group from time to time in accordance with the terms of the Tohigh Framework Agreements. The Tohigh Framework Agreements and the relevant annual caps of the continuing connected transactions were approved by the then independent Shareholders at the special general meetings of the Company held on 20 November 2017, 11 October 2019 and 26 February 2021. The provision of loans to the Tohigh Group from time to time all fall within the limit of the respective maximum daily outstanding balances of financial assistance.

THE SETTLEMENT AGREEMENT

The Board is pleased to announce that on 28 April 2023 (after trading hours), the Company entered into the Settlement Agreement with Quam Overseas (a wholly-owned subsidiary of the Company), COHG and Tonghai International Development, pursuant to which Tonghai International Development (as a transferor) has conditionally agreed to transfer the Sale Shares, being 100% of the issued shares of the Target Companies and free from all Encumbrances and with all rights attached to the Sale Shares as at the Completion, to Quam Overseas (as the transferee), in full and final settlement of all outstanding accrued interests on the Debt C up to the date of Completion and settlement of part of outstanding principal of the Debt C.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under the Listing Rules in respect of the transactions contemplated under the Settlement Arrangement (including the transfer of the Target Companies to the Group) exceeds 25% but all are less than 100%, the Settlement Arrangement constitutes a major transaction of the Company and is subject to reporting, announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS

Special Deal

As the Settlement Arrangement constitutes an arrangement between the Company and COHG, being an indirect Shareholder, during the Offer Period and such arrangement will confer benefits to COHG which will not be extended to all other Shareholders, the Settlement Arrangement constitutes a special deal under Rule 25 of the Takeovers Code.

Accordingly, the Settlement Arrangement will require the consent of the Executive. The Company has made an application to the Executive for consent to the Settlement Arrangement pursuant to Note 4 to Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (i) the Independent Financial Adviser publicly states in its opinion that the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable and (ii) the approval of the Settlement Arrangement by the Independent Shareholders who are not involved in and/or interested in the Settlement Arrangement (otherwise than solely as Shareholders) at the SGM.

Frustrating Action

Pursuant to Rule 4 of the Takeovers Code, as the Settlement Arrangement, which involves the transfer of the Target Companies to the Group, which is a transaction other than in the ordinary course of business of the Company during the Offer Period, constitutes a frustrating action and therefore, it is subject to the approval of the Shareholders in general meeting unless a waiver has been obtained from the Executive. The Company has obtained the written consent from the Offeror in respect of the Settlement Arrangement. Further, the Company has applied to the Executive for a waiver from the requirement for the Company to obtain the Shareholders' approval under Rule 4 of the Takeovers Code in a general meeting of the Company in relation to the frustrating action constituted by the Settlement Arrangement pursuant to Note 1 to Rule 4 of the Takeovers Code.

Profit Forecast

Pursuant to Rules 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the unaudited financial information relating to the Target Companies in this announcement. Pursuant to Rule 10 of the Takeovers Code, disclosure of the unaudited financial information of the Target Companies constitutes a profit forecast and should be reported on by the Independent Financial Adviser and auditors in accordance with Rule 10 of the Takeovers Code (the “**Reports**”), and the Reports must be included in this announcement in accordance with Rule 10.4 of the Takeovers Code. Due to the time required for the preparation of the Reports and the time constraint in issuing this announcement in compliance with Chapter 14 of the Listing Rules, the parties have encountered genuine practical difficulties in meeting the reporting requirements under Rule 10 of the Takeovers Code for the purpose of this announcement. Under Rule 10.4 of the Takeovers Code, if the unaudited financial information of the Target Companies is published first in an announcement, it must be repeated in full, together with the Reports on the said profit forecast, in the next document to be sent to the Shareholders. However, if the financial information of the Target Companies is audited by the time of release of and set out in the next document to be sent, being circular in relation to the Settlement Arrangement, to the Shareholders, the requirements to report on the audited financial information of the Target Companies under Rule 10.4 of the Takeovers Code will no longer apply. As at the date of this announcement, the audit on the financial information of the Target Companies for the years ended 31 December 2020, 2021 and 2022 have not been completed. It is expected that the audit work on the financial information of the Target Companies for the years ended 31 December 2020, 2021 and 2022 will be completed by or around mid of May 2023. A full set of the audited financial information relating to the Target Companies covering the three years ended 31 December 2020, 2021 and 2022 prepared and reported upon by the auditor under Hong Kong Financial Reporting Standards, will be included in the circular in relation to the Settlement Arrangement to be issued by the Company.

VOTING AT THE SGM

As at the date of this announcement:

- (a) COHG is an indirect shareholder of the Company. COHG directly and indirectly (through Oceanwide Energy Holdings Co., Ltd.*(泛海能源控股股份有限公司)) owns as to approximately 58.35% of Oceanwide Holdings Co., Ltd.*(泛海控股股份有限公司), which indirectly wholly-owns Oceanwide Holdings IF. Oceanwide Holdings IF holds 395,254,732 Shares, representing approximately 6.38% of the total issued share capital of the Company;
- (b) the Offeror is a controlling shareholder of the Company and COHG is a party acting in concert with the Offeror in respect of the Offer. The Offeror holds 4,098,510,000 Shares, representing approximately 66.14% of the total issued share capital of the Company; and
- (c) Mr. LAM, being the controlling shareholder of the Offeror and a Director, is a shareholder of the Company and he holds 113,072,833 Shares, representing approximately 1.82% of the total issued share capital of the Company.

As Oceanwide Holdings IF, the Offeror, Mr. LU Zhiqiang, Ms. LU, Mr. LAM, Mr. HAN and their respective parties acting in concert are involved in and/or interested in the Settlement Arrangement (otherwise than solely as Shareholders), they will abstain from voting on the shareholders' resolution to approve the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

As at the date of this announcement, except for Oceanwide Holdings IF, the Offeror, Mr. LAM, Mr. HAN and their respective parties acting in concert, no other Shareholder is required to abstain from voting in respect of the shareholders' resolutions to approve the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (which comprises Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun, all being the independent non-executive Directors) has been formed to advise the Independent Shareholders in respect of the Settlement Arrangement.

As at the date of this announcement, the non-executive Directors, namely Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia held approximately 0.001%, 0.003% and 0.003% of the issued shares of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), respectively. As at the date of this announcement, Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) is an indirect holding company of Oceanwide Holdings IF. Oceanwide Holdings IF holds 395,254,732 Shares representing approximately 6.38% of the total issued share capital of the Company as at the date of this announcement. As a result, Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia are not considered independent and are therefore excluded as members of the Independent Board Committee. As at the date of this announcement, save for holding the shares of Oceanwide Holdings Co., Ltd. * (泛海控股股份有限公司), which indirectly owns as to 6.38% of the issued shares of the Company, by Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia as abovementioned, they do not directly or indirectly hold any shares of the Company.

The Independent Financial Adviser has been appointed by the Company (with approval from the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in relation to the Settlement Arrangement.

DESPATCH OF THE CIRCULAR AND THE SGM

Given the Settlement Arrangement constitutes a major transaction under the Listing Rules and a special deal under Rule 25 of the Takeovers Code, the Company will include in one circular, among other things, (i) further information of the terms of the Settlement Agreement; (ii) a letter from the Independent Board Committee in respect of the Settlement Arrangement; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice and recommendation on the Settlement Arrangement in compliance with the relevant requirement under the Listing Rules and the Takeovers Code; (iv) the financial information of the Group; (v) the audited financial information of the Target Companies; (vi) the unaudited pro forma financial information of the Group; (vii) the Valuation Report prepared by Masterpiece Valuation Advisory Limited; and (viii) a notice convening the SGM. The circular in relation to the Settlement Arrangement is expected to be despatched to the Shareholders on or before 31 May 2023, which is more than 15 business days after the publication of this announcement, as additional time is required to prepare and finalise the financial information in relation to the Target Companies and other relevant information in relation to the Company to be included in the circular.

The SGM will be convened and held by the Company for the purpose of considering and, if thought fit, approving the resolution in relation to the Settlement Arrangement and the transactions contemplated thereunder as a major transaction of the Company under the Listing Rules and a special deal under Rule 25 of the Takeovers Code.

As the Completion are conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Settlement Agreement, the Settlement Arrangement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

BACKGROUND

On 21 September 2017 and 30 August 2019, the Company and Tohigh entered into the Tohigh Framework Agreements, pursuant to which, among others, the Group shall provide guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to Tohigh and the Tohigh Group or vice versa. As at the date of this announcement, the outstanding principal and interests owing from the Borrower to China Tonghai Finance Limited, an indirectly wholly-owned subsidiary of the Company amounted to approximately HK\$1,350.6 million.

Provision of loans is one of the principal businesses of the Group. Provision of loans to the Tohigh Group allows the Group to capture their financing needs and to generate additional income for the Group. The Group has provided loans to the Tohigh Group from time to time in accordance with the terms of the Tohigh Framework Agreements. The Tohigh Framework Agreements and the relevant annual caps of the continuing connected transactions were approved by the then independent Shareholders at the special general meetings of the Company held on 20 November 2017, 11 October 2019 and 26 February 2021. The provision of loans to the Tohigh Group from time to time all fall within the limit of the respective maximum daily outstanding balances of financial assistance.

INTRODUCTION

Reference is made to the joint announcements issued by the Company and the Offeror dated 15 September 2022 and 3 February 2023 in relation to the Deed of Share Purchase and the Offer.

The Board is pleased to announce that on 28 April 2023 (after trading hours), the Company entered into the Settlement Agreement with Quam Overseas (a wholly-owned subsidiary of the Company), COHG and Tonghai International Development, pursuant to which Tonghai International Development (as a transferor) has conditionally agreed to transfer the Sale Shares, being 100% of the issued shares of the Target Companies and free from all Encumbrances and with all rights attached to the Sale Shares as at Completion, to Quam Overseas (as the transferee) with effect from the Completion, in full and final settlement of all outstanding accrued interests on the Debt C up to the date of Completion and settlement of part of outstanding principal of the Debt C.

THE SETTLEMENT AGREEMENT

The principal terms of the Settlement Agreement are set out below:

Date

28 April 2023

Parties

- (i) Quam Overseas, as the transferee;
- (ii) Tonghai International Development, as the transferor;

(iii) the Company, as the creditor of the Debt C; and

(iv) COHG, which has agreed to settle part of the Debt C for and on behalf of the Borrower.

COHG and Tonghai International Development and their respective ultimate beneficial owner(s) are Independent Third Party(ies) save for COHG indirectly holds 6.38% of the issued Shares as at the date of this announcement.

Subject matter

Pursuant to the Settlement Agreement, Tonghai International Development (as a transferor) has conditionally agreed to transfer the Sale Shares, being 100% of the issued shares of the Target Companies and free from all Encumbrances and with all rights attached to the Sale Shares as at the Completion, to Quam Overseas (as the transferee) with effect from the Completion, in full and final settlement of all outstanding accrued interests on the Debt C up to the date of Completion and settlement of part of outstanding principal of the Debt C. After full and final settlement of all outstanding accrued interests on the Debt C up to the date of Completion and partial settlement of the outstanding principal of the Debt C upon Completion, the remaining outstanding principal amount of the Debt C will remain as other loans of the Group.

Basis of calculation of the Settlement Sum

The Settlement Sum shall be determined based on the following:

$$A = B +/- C - D - E$$

Whereas:

A = Settlement Sum

B = adjusted net asset value of the Target Companies. Such amount can be calculated by (i) deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the Audited Accounts; and (ii) adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report

C = the amount equivalent to cash and cash equivalents of the Target Companies as at Completion Date minus cash and cash equivalents of the Target Companies as shown in the Audited Accounts. In the event the amount of C is negative, such amount shall be subtracted from B

D = the amount of US real property and documentary transfer tax or any other taxation in connection with the US Properties which Quam Overseas or the Company has agreed to pay or bear on behalf of the Target Companies at Completion

E = any due and outgoings payable by the Target Companies in connection with the US Properties and the Target Companies, including government rent and rates, utilities expenses, management fees, and other regular services or utilities supplied to the US Properties or the Target Companies accruing up to and including the date of Completion, which have been notified to Quam Overseas or the Company but which remain outstanding as at the date of Completion

The maximum Settlement Sum shall be all outstanding principal and interests accrued on the Debt C up to the date of Completion.

As at the date of this announcement, based on the unaudited adjusted net asset value of the Target Companies (calculated by deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the unaudited statement of financial position of the Target Companies as at 31 December 2022; and adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report); and assuming that (i) cash and cash equivalents of the Target Companies as at the date of Completion is the same as that shown in the unaudited statement of financial position of each of the Target Companies as at 31 December 2022; (ii) there is no US real property and documentary transfer tax or any other taxation in relation to the Settlement Arrangement at Completion; and (iii) there is no outgoings payable by the Target Companies in connection with the US Properties and the Target Companies accruing up to and including the date of Completion, the initial settlement sum is approximately USD123.4 million (equivalent to approximately HK\$967.6 million).

The final amount of the Settlement Sum shall be confirmed in writing by the Company giving notice to Tonghai International Development within 5 business days of the date of Completion.

The terms of the Settlement Agreement including the Settlement Sum were negotiated on an arm's length basis. The Directors (excluding the independent non-executive Directors who will be advised by the Independent Financial Adviser) consider that the terms of the Settlement Agreement are fair and reasonable due to the following:

- (i) the Target Companies are investment holding companies and the assets of which consists primarily of the US Properties;
- (ii) the Settlement Sum shall take into account the net asset value of the Target Companies as shown in the Audited Accounts and the Audited Accounts will be prepared in accordance with the Hong Kong Financial Reporting Standards; and
- (iii) based on the Valuation Report, the fair value of the US Properties as at 31 March 2023 was USD122.5 million (equivalent to approximately HK\$961.6 million). The fair value of the US Properties as at 31 March 2023 under the the Valuation Report was determined using the market approach. The text of the Valuation Report is set forth in Appendix I to this announcement.

Conditions

Completion is conditional upon the satisfaction (or, if applicable, waiver) of the following conditions:

- a) the passing of all resolutions by the Independent Shareholders who are not involved in or interested in the Settlement Arrangement (otherwise than solely as a Shareholder) at the SGM approving the entering into the Settlement Agreement and any other documents referred to in the Settlement Agreement and the performance of the transaction contemplated under the Settlement Agreement and any other documents referred to in the Settlement Agreement in accordance with Rule 25 of the Takeovers Code, the relevant provisions in the Listing Rules, the bye-laws of the Company and applicable law;
- b) the Company having obtained the waiver under Rule 4 and consent under Rule 25 of the Takeovers Code from the Executive regarding the entering of the Settlement Agreement and any other documents referred to in the Settlement Agreement and the performance of the transactions contemplated thereunder;
- c) COHG and Tonghai International Development having obtained all necessary internal approvals and consents for the entering into the Settlement Agreement and any other documents referred to in the Settlement Agreement and the fulfillment of the obligations thereunder;
- d) COHG and Tonghai International Development having obtained all necessary external approvals and consents for the entering into of the Settlement Agreement and any other documents referred to in the Settlement Agreement and the fulfillment of the obligations thereunder;
- e) the Company being satisfied with the due diligence results of the Target Companies and each of the US Properties;
- f) the Company having received, and having been satisfied with, the content of the title report reviewed and confirmed by the US legal advisers as to the title of the US Properties;
- g) the Company having received, and having been satisfied with, the content of the legal report prepared by the BVI legal advisers on the due diligence of Tonghai International Development and the Target Companies; and
- h) the warranties given by COHG and Tonghai International Development set out in the Settlement Agreement remaining true, accurate and not misleading and there have been no breaches of the obligations and undertakings set out in the Settlement Agreement.

Save for condition (h) under the Settlement Agreement which can only be waived by the Company, all other Conditions are not waivable pursuant to the Settlement Agreement. Any waiver of the condition (h) shall be by notice in writing by the Company to COHG and Tonghai International Development and may be subject to such terms and conditions as the Company may specify and agreed to by COHG and Tonghai International Development.

If all the Conditions are not satisfied or waived (as the case may be) on the Long Stop Date, unless otherwise specified in the Settlement Agreement, the Company may by written notice to COHG and Tonghai International Development elect to terminate the Settlement Agreement, and all rights and obligations of the parties under the Settlement Agreement shall terminate, but without prejudice to the accrued rights and obligations of the parties before that termination.

As at the date of this announcement, the Company is not aware of any necessary external approvals and consents required to be obtained by COHG and the Tonghai International Development. However, the Company has reserved the right to not proceed with completion in the event that the Company becomes aware that COHG or Tonghai International Development are required to obtain any external approvals and consents under condition (d) after the signing of the Settlement Agreement but are not obtained prior to Completion.

Completion

Completion will take place on the fifth (5th) business days after fulfilment or waiver (if applicable) of all Conditions, or such other date as the parties to the Settlement Agreement may agree in writing.

Upon Completion, all outstanding accrued interests on the Debt C up to the date of Completion and part of outstanding principal of the Debt C will be settled and the Target Companies will become wholly-owned subsidiaries of the Company and the assets, liabilities and financial results of the Target Companies will be consolidated into the consolidated financial statements of the Company.

INFORMATION ON THE DEBT C

As at the date of this announcement, the outstanding amount of the principal together with all accrued interests owing from the Borrower to the Group, including the Debt C, was approximately HK\$1,350.6 million.

Set out below is the summary of principal terms of the Debt C:

Borrower	First drawn down date	Principal amount (HK\$'000)	Interest rate (per annum)	Maturity dates
China Oceanwide International	fall between the period from 12 February 2018 and 3 March 2021	678,000	10.5%	28 January 2022
		200,000	10.5%	31 March 2022
		3,000	12.0%	31 March 2022
		141,241	12.0%	30 June 2022
		12,000	12.0%	30 June 2022
		45,000	10.0%	31 December 2022
		12,500	10.0%	31 December 2022
		10,000	10.0%	31 December 2022
		<u>1,101,741</u>		

For illustration purpose only, the table below sets out the order of settlement of the Debt C, assuming that (i) the Completion takes place on 31 May 2023; (ii) the Settlement Sum is approximately USD123.4 million (equivalent to approximately HK\$967.6 million), which is equivalent to the unaudited adjusted net asset value of the Target Companies (calculated by deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the unaudited statement of financial position of the Target Companies as at 31 December 2022; and adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report); and (iii) no other deduction in relation to the calculation of the Settlement Sum shall be made. After full and final settlement of all outstanding accrued interests on the Debt C up to 31 May 2023 of approximately HK\$259.5 million, which is calculated based on the interest rate of the loans as set out in the respective loan agreements as set out in the table below, the remaining portion of the Settlement Sum of approximately HK\$708.1 million will be used to settle part of the outstanding principal of the Debt C in the following order:

Borrower	Settlement order	Principal amount (HK\$'000)	Accrued interests on the Debt C up to 31 May 2023 (HK\$'000)	Principal amount and accrued interests on the Debt C up to 31 May 2023 settled by the Settlement Sum (HK\$'000)	Outstanding principal amount upon completion of the Settlement Arrangement (HK\$'000)	Interest rate (per annum)	Maturity dates
China Oceanwide International	1	3,000	781	3,781	–	12.0%	31 March 2022
	2	10,000	1,416	11,416	–	10.0%	31 December 2022
	3	12,000	2,766	14,766	–	12.0%	30 June 2022
	4	12,500	1,771	14,271	–	10.0%	31 December 2022
	5	45,000	6,374	51,374	–	10.0%	31 December 2022
	6	141,241	32,551	173,792	–	12.0%	30 June 2022
	7	200,000	47,264	247,264	–	10.5%	31 March 2022
	8	678,000	166,565	450,942	393,623	10.5%	28 January 2022
		<u>1,101,741</u>	<u>259,488</u>	<u>967,606</u>	<u>393,623</u>		

It should be noted that the aforesaid scenario shall not be considered as the actual Settlement Sum to be settled pursuant to the Settlement Arrangement upon the Completion.

All the loans under the Debt C are unsecured. As at the date of this announcement, the principal amount and interests accrued on the Debt C up to the maturity date have been overdue.

INFORMATION ON THE TARGET COMPANIES AND THE US PROPERTIES

(a) Principal businesses of the Target Companies

(i) *King Domain*

King Domain is a limited liability company incorporated in the BVI. The principal business of King Domain is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, the indirect Shareholder. US Property I is owned by King Domain.

(ii) *Honour Smart*

Honour Smart is a limited liability company incorporated in the BVI. The principal business of Honour Smart is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, the indirect Shareholder. US Property II is owned by Honour Smart.

(iii) *Delight Wise*

Delight Wise is a limited liability company incorporated in the BVI. The principal business of Delight Wise is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, the indirect Shareholder. US Property III is owned by Delight Wise.

(iv) *Sheen Grace*

Sheen Grace is a limited liability company incorporated in the BVI. The principal business of Sheen Grace is investment holding. It is directly wholly-owned by Tonghai International Development which in turn is indirectly wholly-owned by COHG, the indirect Shareholder. US Property IV is owned by Sheen Grace.

(b) Financial information of the Target Companies

As at the date of this announcement, each of the Target Companies is a wholly-owned subsidiary of Tonghai International Development. The unaudited aggregate net asset value of the Target Companies as at 31 December 2022 was approximately USD60.7 million (equivalent to approximately HK\$475.7 million).

The table below sets out selected unaudited management accounts of the Target Companies prepared for the two financial years ended 31 December 2021 and 2022:

(i) *King Domain*

	For the year ended 31 December 2022 USD'000 (Unaudited)	For the year ended 31 December 2021 USD'000 (Unaudited)
Revenue	–	–
Net loss after tax	(893)	(508)

As at 31 December 2022, the unaudited net asset value of King Domain was approximately USD26.1 million (equivalent to approximately HK\$204.5 million).

(ii) *Honour Smart*

	For the year ended 31 December 2022 USD'000 (Unaudited)	For the year ended 31 December 2021 USD'000 (Unaudited)
Revenue	–	–
Net loss after tax	(164)	(102)

As at 31 December 2022, the unaudited net asset value of Honour Smart was approximately USD5.3 million (equivalent to approximately HK\$41.4 million).

(iii) *Delight Wise*

	For the year ended 31 December 2022 USD'000 (Unaudited)	For the year ended 31 December 2021 USD'000 (Unaudited)
Revenue	–	–
Net loss after tax	(1,086)	(769)

As at 31 December 2022, the unaudited net asset value of Delight Wise was approximately USD23.6 million (equivalent to approximately HK\$185.1 million).

(iv) *Sheen Grace*

	For the year ended 31 December 2022 USD'000 (Unaudited)	For the year ended 31 December 2021 USD'000 (Unaudited)
Revenue	–	–
Net loss after tax	(150)	(109)

As at 31 December 2022, the unaudited net asset value of Sheen Grace was approximately USD5.7 million (equivalent to approximately HK\$44.7 million).

Pursuant to Rules 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the above financial information relating to the Target Companies in this announcement. Pursuant to Rule 10 of the Takeovers Code, disclosure of unaudited financial information of the Target Companies constitutes a profit forecast and should be reported on by the Independent Financial Adviser and auditors in accordance with Rule 10 of the Takeovers Code (the “**Reports**”), and the Reports must be included in this announcement in accordance with Rule 10.4 of the Takeovers Code. Due to the time required for the preparation of the Reports and the time constraint in issuing this announcement in compliance with Chapter 14 of the Listing Rules, the parties have encountered genuine practical difficulties in meeting the reporting requirements under Rule 10 of the Takeovers Code for the purpose of this announcement. Under Rule 10.4 of the Takeovers Code, if the unaudited financial information of the Target Companies is published first in an announcement, it must be repeated in full, together with the reports from the Company’s financial advisers and auditors or accountants on the said profit forecast, in the next document to be sent to the Shareholders. However, if the financial information of the Target Companies is audited by the time of release of and set out in the next document to be sent, being circular in relation to the Settlement Arrangement, to the Shareholders, the requirements to report on the audited financial information of the Target Companies under Rule 10.4 of the Takeovers Code will no longer apply. As at the date of this announcement, the audit on the financial information of the Target Companies for the years ended 31 December 2020, 2021 and 2022 have not been completed. It is expected that the audit work on the financial information of the Target Companies for the years ended 31 December 2020, 2021 and 2022 will be completed by or around mid of May 2023. A full set of the audited financial information relating to the Target Companies covering the three years ended 31 December 2020, 2021 and 2022 prepared and reported upon by the auditor under Hong Kong Financial Reporting Standards, will be included in the circular in relation to the Settlement Arrangement to be issued by the Company.

Shareholders and potential investors of the Company should note that the unaudited financial information of the Target Companies has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the unaudited financial information of the Target Companies in assessing the merits and demerits of the Settlement Arrangement.

(c) Particulars of the US Properties

The table below sets out particulars of the US Properties:

Property	Location	Type of Property	Particulars of Occupancy ^(Note)	Site Area (acre)	Gross Building Area (sq.ft.)	Fair value in existing state based on the Valuation Report as at 31 March 2023 (USD'000)
US Property I	250 Atherton Avenue, Atherton, CA 94027, County of San Mateo, State of California, the US	Residential	Owner-occupied	2.53	13,558	28,700
US Property II	25 Longview Court, Hillsborough, CA 94010, County of San Mateo, State of California, the US	Residential	Owner-occupied	0.59	5,700	9,900
US Property III	40 Verbalee Lane, Hillsborough, CA 94010, County of San Mateo, State of California, the US	Residential	Owner-occupied	5.91	34,639	76,700
US Property IV	1111 Tournament Drive, Hillsborough, CA 94010, County of San Mateo, State of California, the US	Residential	Owner-occupied	0.71	6,520	7,200

Note: As at the date of this announcement, all gross building area of the US Properties are owner-occupied.

FINANCIAL EFFECT OF THE SETTLEMENT ARRANGEMENT

Upon the Completion, the Target Companies will become indirect wholly-owned subsidiaries of the Company, and the results, assets and liabilities of the Target Companies will be consolidated into the financial statements of the Group. In addition, part of the outstanding amount of principal and all interests accrued on the Debt C up to the date of Completion will be settled by the Settlement Sum. As there were previous provisions made on the Debt C, the net carrying amount of the Debt C as at the date of Completion is less than the monetary value of the Debt C. As a result of the Settlement Arrangement, a gain is expected to be recognised based on the difference between the Settlement Sum and the net carrying amount of the outstanding principal and interests accrued on the Debt C that are settled upon Completion. The gain is therefore not an immediate cash inflow of the Company but a reversal of the accumulative provision of approximately HK\$623.0 million made up to 31 December 2022 on the outstanding principal and interests accrued on the Debt C that are settled upon Completion, assuming that (i) the Completion takes place on 31 May 2023; (ii) the Settlement Sum is approximately USD123.4 million (equivalent to approximately HK\$967.6 million), which is equivalent to the unaudited adjusted net asset value of the Target Companies (calculated by (a) deducting the book value of the US Properties as at 31 December 2022 from the net asset value of the Target Companies as shown in the unaudited statement of financial position of the Target Companies as at 31 December 2022; and (b) adding the fair value of the US Properties as at 31 March 2023 as set out in Valuation Report); and (iii) no other deduction in relation to the calculation of the Settlement Sum shall be made. After full and final settlement of all outstanding accrued interests on the Debt

C up to the date of Completion and partial settlement of the outstanding principal of the Debt C upon Completion, the remaining outstanding principal amount of the Debt C will remain as other loans of the Group.

REASONS FOR AND BENEFITS OF THE SETTLEMENT ARRANGEMENT

The Company has been discussing with the management of the Tohigh Group in relation to settlement of the outstanding principal and interests accrued on the Debt C in cash or potential alternatives. After conducting enquiries with the management of the Tohigh Group, the Company was advised that the Tohigh Group has not attempted to sell the US Properties and the US Properties may be offered to partially settle the outstanding amount of Debt C. According to the title report as to the legal title of the US Properties which has been reviewed and confirmed by the US legal advisers and the legal report prepared by the BVI legal advisers, the US Properties are directly wholly-owned by the Target Companies; and the Sale Shares and the US Properties are free from Encumbrances. Therefore, the Company is of the view that the Settlement Arrangement would be a reasonable and acceptable approach after considering that the Borrower is not expected to be able to fully or partially settle the outstanding principal and the accrued interests on the Debt C in the foreseeable future.

As the Target Companies are investment holding companies of the US Properties which only generate expenses, including, among others, the maintenance costs, US real property taxes, in relation to the US Properties, the Target Companies incurred net loss for the years ended 31 December 2021 and 2022. Despite the net loss position of the Target Companies, which will be consolidated into the financial statements of the Group upon Completion, the Target Companies are in a net asset position based on the unaudited management account of the Target Companies as at 31 December 2022 and the Board is of the view that the Settlement Arrangement would enable the Group to settle all outstanding accrued interests on the Debt C up to the date of Completion and part of the outstanding principal of the Debt C with tangible assets and the financial position of the Company would be improved after Completion by reducing the loan receivables of the Group and reduce credit exposure associated with the Debt C. As at the date of this announcement, the Group has not received any repayment in relation to the settlement of outstanding principal and interest accrued on the Debt C. The Group has made provision equivalent to approximately 75% of the outstanding principal and interest accrued on the Debt C as at 31 December 2022 in its audited consolidated accounts for the year ended 31 December 2022. As such, taking into account (i) the net asset value of the Target Companies as at 31 December 2022; and (ii) the fair value of the US Properties as at 31 March 2023 of USD122.5 million (equivalent to approximately HK\$961.6 million) as set out in the Valuation Report, the Board (excluding the independent non-executive Directors who will be advised by the Independent Financial Adviser with regard to the Settlement Arrangement) considered that the entering into the Settlement Arrangement is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP

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.

INFORMATION OF COHG AND TONGHAI INTERNATIONAL DEVELOPMENT

(a) COHG

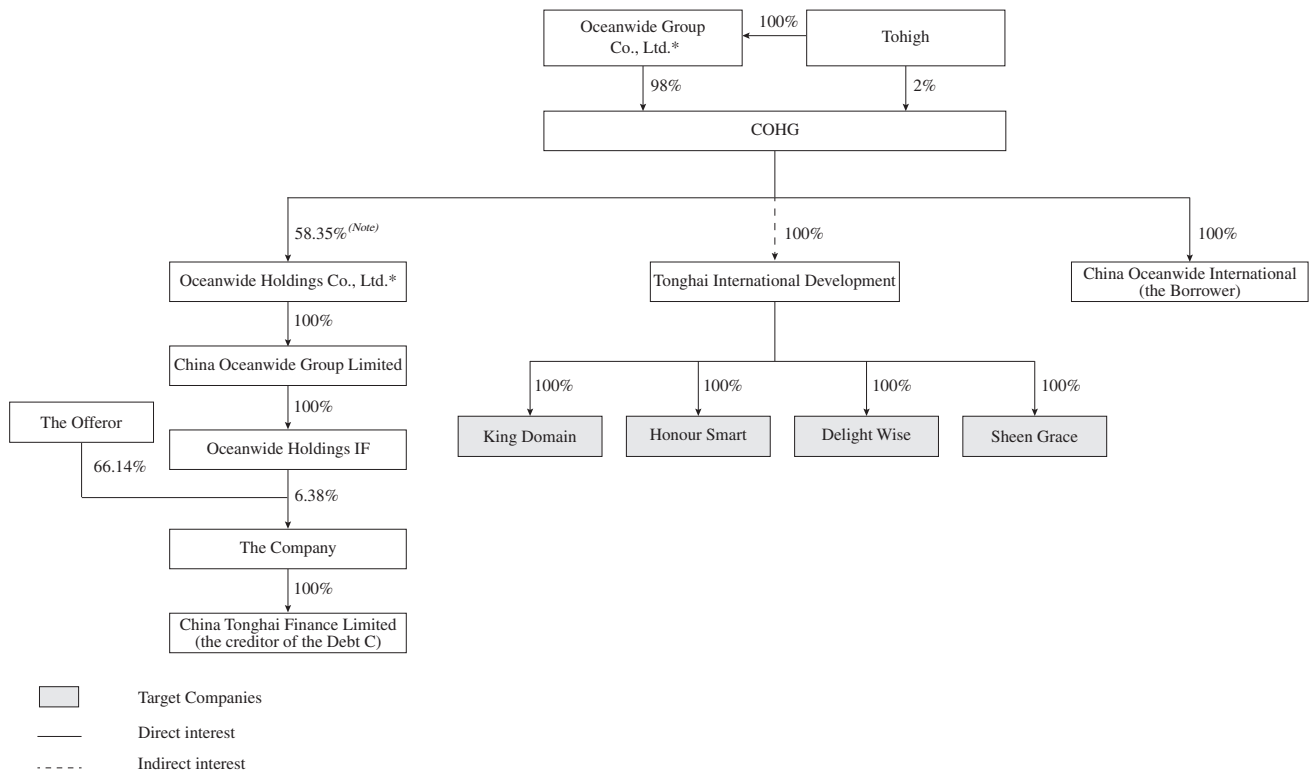
COHG is a company incorporated in the PRC with limited liability. Its principal business is investment holding. COHG is an indirect shareholder of the Company and the ultimate beneficial owner of COHG is Mr. LU Zhiqiang.

(b) Tonghai International Development

Tonghai International Development is a company incorporated in the BVI with limited liability. The principal business of Tonghai International Development is investment holding. It is indirectly wholly-owned by COHG.

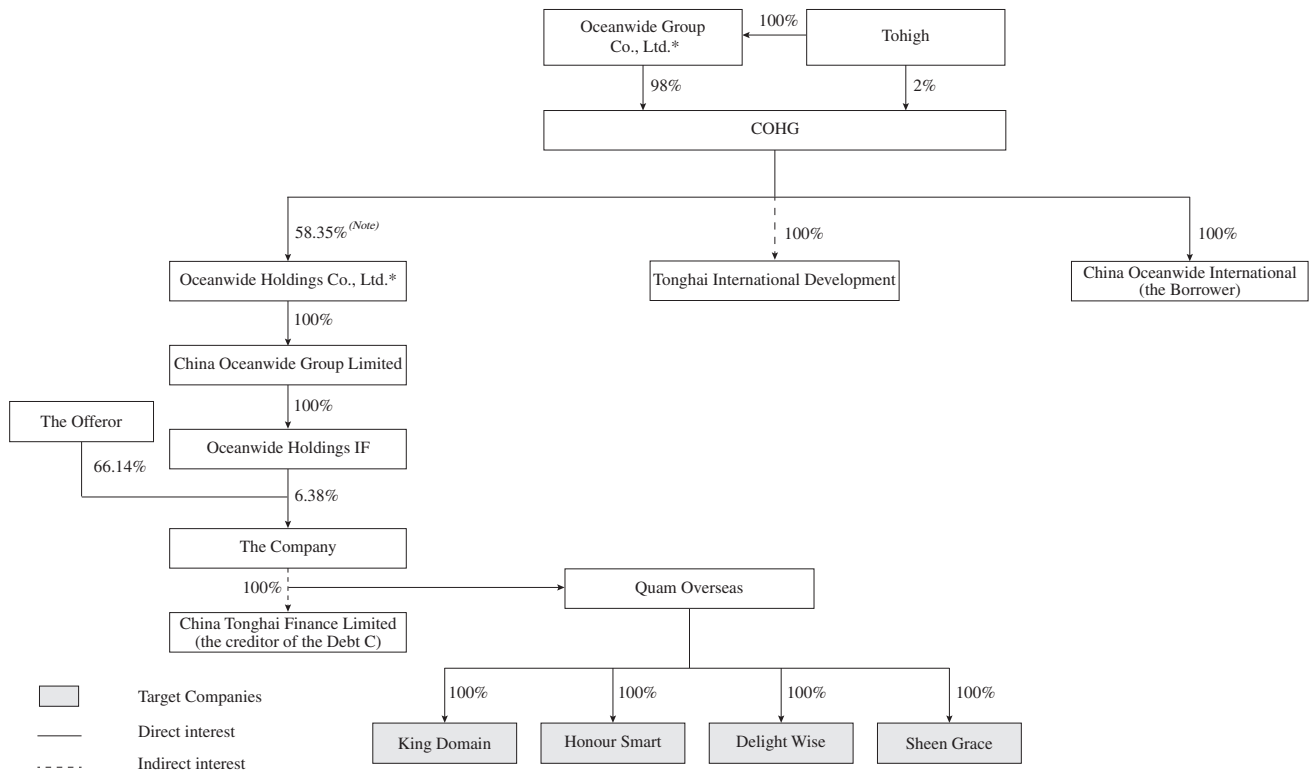
(c) Simplified shareholding structure

Set out below is the simplified shareholding structure of the Tohigh Group and the Company immediately prior to the Completion:



Note: As at the date of this announcement, COHG and Oceanwide Energy Holdings Co., Ltd. directly owns approximately 55.96% and 2.39% of the issued shares of Oceanwide Holdings Co., Ltd.*, respectively. Both COHG and Oceanwide Energy Holdings Co., Ltd.* are indirectly wholly-owned by Tohigh.*

Set out below is the simplified shareholding structure of the Tohigh Group and the Company immediately after the Completion:



Note: As at the date of this announcement, COHG and Oceanwide Energy Holdings Co., Ltd. directly owns approximately 55.96% and 2.39% of the issued shares of Oceanwide Holdings Co., Ltd.*, respectively. Both COHG and Oceanwide Energy Holdings Co., Ltd.* are indirectly wholly-owned by Tohigh.*

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio under the Listing Rules in respect of the transactions contemplated under the Settlement Arrangement (including the transfer of the Target Companies to the Group) exceeds 25% but all are less than 100%, the Settlement Arrangement constitutes a major transaction of the Company and is subject to reporting, announcement, circular, and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS

Special Deal

As the Settlement Arrangement constitutes an arrangement between the Company and COHG, being an indirect Shareholder, during the offer period and such arrangement will confer benefits to COHG which will not be extended to all other Shareholders, the Settlement Arrangement constitutes a special deal under Rule 25 of the Takeovers Code.

Accordingly, the Settlement Arrangement will require the consent of the Executive. The Company has made an application to the Executive for consent to the Settlement Arrangement pursuant to Note 4 to Rule 25 of the Takeovers Code. Such consent, if granted, is expected to be subject to (i) the Independent Financial Adviser publicly states in its opinion that the terms of the Settlement Agreement and the transactions contemplated thereunder are fair and reasonable and (ii) the approval of the Settlement Arrangement by the Independent Shareholders who are not involved in and/or interested in the Settlement Arrangement (otherwise than solely as Shareholders) at the SGM.

Frustrating Action

Pursuant to Rule 4 of the Takeovers Code, as the Settlement Arrangement, which involves the transfer of the Target Companies to the Group, which is a transaction other than in the ordinary course of business of the Company during the Offer Period, constitutes a frustrating action and therefore, it is subject to the approval of the Shareholders in general meeting unless a waiver has been obtained from the Executive. The Company has obtained the written consent from the Offeror in respect of the Settlement Arrangement. Further, the Company has applied to the Executive for a waiver from the requirement for the Company to obtain the Shareholders' approval under Rule 4 of the Takeovers Code in a general meeting of the Company in relation to the frustrating action constituted by the Settlement Arrangement pursuant to Note 1 to Rule 4 of the Takeovers Code.

Profit Forecast

Pursuant to Rule 14.58(6) and (7) of the Listing Rules, the Company is required to disclose the unaudited financial information of the Target Companies in this announcement. Pursuant to Rule 10 of the Takeovers Code, disclosure of the unaudited financial information of the Target Companies constitutes a profit forecast and should be reported on by the Independent Financial Advisor and auditors pursuant to Rule 10 of the Takeovers Code, and the reports must be included in this announcement in accordance with Rule 10.4 of the Takeovers Code (the “**Reports**”). Due to the time required for the preparation of the Reports and the time constraint in issuing this announcement in compliance with Chapter 14 of the Listing Rules, the parties have encountered genuine practical difficulties in meeting the reporting requirements under Rule 10 of the Takeovers Code for the purpose of this announcement. Under Rule 10.4 of the Takeovers Code, if the unaudited financial information of the Target Companies is published first in an announcement, it must be repeated in full, together with the Reports on the said profit forecast, in the next document to be sent to the Shareholders. However, if the financial information of the Target Companies is audited by the time of release of and set out in the next document to be sent, being circular in relation to the Settlement Arrangement, to the shareholders, the requirements to report on the audited financial information of the Target Companies under Rule 10.4 of the Takeovers Code will no longer apply. As at the date of this announcement, the audit on the financial information of the Target Companies for the years ended 31 December 2020, 2021 and 2022 have not been completed. It is expected that the audit work on the financial information of the Target Companies for the years ended 31 December 2020, 2021 and 2022 will be completed by or around mid of May 2023. A full set of the audited financial information relating to the Target Companies covering the three years ended 31 December 2020, 2021 and 2022 prepared and reported upon by the auditor under Hong Kong Financial Reporting Standards will be included in the circular in relation to the Settlement Arrangement to be issued by the Company.

VOTING AT THE SGM

As at the date of this announcement:

- (a) COHG is an indirect shareholder of the Company. COHG directly and indirectly (through Oceanwide Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司)) owns as to approximately 58.35% of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) , which indirectly wholly-owns Oceanwide Holdings IF. Oceanwide Holdings IF holds 395,254,732 Shares, representing approximately 6.38% of the total issued share capital of the Company;
- (b) the Offeror is a controlling shareholder of the Company and COHG is a party acting in concert with the Offeror in respect of the Offer. The Offeror holds 4,098,510,000 Shares, representing approximately 66.14% of the total issued share capital of the Company; and
- (c) Mr. LAM, being the controlling shareholder of the Offeror and a Director, is a shareholder of the Company and he holds 113,072,833 Shares, representing approximately 1.82% of the total issued share capital of the Company.

As Oceanwide Holdings IF, the Offeror, Mr. LU Zhiqiang, Ms. LU, Mr. LAM, Mr. HAN and their respective parties acting in concert are involved in and/or interested in the Settlement Arrangement (otherwise than solely as shareholders), they will abstain from voting on the shareholders’ resolution to approve the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

As at the date of this announcement, except for Oceanwide Holdings IF, the Offeror, Mr. LAM, Mr. HAN and their respective parties acting in concert with each of them, no other Shareholder is required to abstain from voting in respect of the shareholders' resolutions to approve the Settlement Arrangement and the transactions contemplated thereunder at the SGM.

INDEPENDENT BOARD COMMITTEE AND APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (which comprises Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui, and Mr. HUANG Yajun, all being the independent non-executive Directors) has been formed to advise the Independent Shareholders in respect of the Settlement Arrangement.

As at the date of this announcement, the non-executive Directors, namely Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia held approximately 0.001%, 0.003% and 0.003% of the issued shares of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), respectively. As at the date of this announcement, Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) is an indirect holding company of Oceanwide Holdings IF. Oceanwide Holdings IF holds 395,254,732 Shares, representing approximately 6.38% of the total issued share capital of the Company as at the date of this announcement. As a result, Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia are not considered independent and are therefore excluded as members of the Independent Board Committee. As at the date of this announcement, save for holding the shares of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), which indirectly owns as to 6.38% of the issued shares of the Company, by Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia as abovementioned, they do not directly or indirectly hold any shares of the Company.

The Independent Financial Adviser has been appointed by the Company (with approval from the Independent Board Committee) to advise the Independent Board Committee and the Independent Shareholders in relation to the Settlement Arrangement.

DESPATCH OF THE CIRCULAR AND THE SGM

Given the Settlement Arrangement constitutes a major transaction under the Listing Rules and a special deal under Rule 25 of the Takeovers Code, the Company will include in one circular, among other things, (i) further information of the terms of the Settlement Agreement; (ii) a letter from the Independent Board Committee in respect of the Settlement Arrangement; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice and recommendation on the Settlement Arrangement in compliance with the relevant requirement under the Listing Rules and the Takeovers Code; (iv) the financial information of the Group; (v) the audited financial information of the Target Companies; (vi) the unaudited pro forma financial information of the Group; (vii) the Valuation Report prepared by Masterpiece Valuation Advisory Limited; and (viii) a notice convening the SGM. The circular in relation to the Settlement Arrangement is expected to be despatched to the Shareholders on or before 31 May 2023, which is more than 15 business days after the publication of this announcement, as additional time is required to prepare and finalise the financial information in relation to the Target Companies and other relevant information in relation to the Company to be included in the circular.

The SGM will be convened and held by the Company for the purpose of considering and, if thought fit, approving the resolution in relation to the Settlement Arrangement and the transaction contemplated thereunder as a major transaction of the Company under the Listing Rules and a special deal under Rule 25 of the Takeovers Code.

As the Completion is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Settlement Agreement, the Settlement Arrangement may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Audited Accounts”	the audited statement of profit or loss and other comprehensive income of each Target Company for the period from 1 January 2022 through until 31 December 2022 and the audited statement of financial position of each Target Company as the 31 December 2022, that are prepared in accordance with Hong Kong Financial Reporting Standards
“Board”	the board of Directors
“Borrower” or “China Oceanwide International”	China Oceanwide International Investment Company Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of COHG
“BVI”	the British Virgin Islands
“COHG”	China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of Tohigh
“Company”	China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the main board of the Stock Exchange (stock code: 952)
“Completion”	completion of the Settlement Agreement
“Conditions”	the conditions precedent to the Settlement Agreement as set out in the sub-section headed “Conditions” in this announcement

“Debt C”	the principal of the unsecured debts owed to China Tonghai Finance Limited, an indirect wholly-owned subsidiary of the Company, by the Borrower in the amount of HK\$1,101,740,822
“Deed of Share Purchase”	the deed of share purchase dated 15 September 2022 entered into among Messrs. TSUI Chi Chiu and SO Kit Yee Anita of Ernst & Young Transactions Limited, Oceanwide Holdings IF and the Offeror relating to the sale and purchase of the 4,098,510,000 Shares
“Delight Wise”	Delight Wise Investments Limited, a company incorporated in the BVI with limited liability
“Director(s)”	the director(s) of the Company
“Encumbrances”	mortgage, charge, pledge, lien, option, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including a title transfer or retention arrangement) having similar effect and any agreement or obligation to create or grant any of the aforesaid
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“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 PRC
“Honour Smart”	Honour Smart Investments Limited, a company incorporated in the BVI with limited liability
“Independent Board Committee”	an independent committee of the Board comprising five (5) independent non-executive Directors, namely Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui and Mr. HUANG Yajun who have no direct or indirect interest in the Settlement Arrangement established to advise the Independent Shareholders in respect of the Settlement Agreement and the transactions contemplated thereunder

“Independent Financial Adviser”	Trinity Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise to the Independent Board Committee and the Independent Shareholders with regard to the Settlement Arrangement
“Independent Shareholders”	the Shareholders other than Oceanwide Holdings IF, the Offeror, Mr. LU Zhiqiang, Ms. LU, Mr. LAM, Mr. HAN and their respective parties acting in concert, that are involved in and/or interested in the Settlement Agreement and the transactions contemplated thereunder (otherwise than solely as Shareholders), they are required under the Listing Rules and the Takeovers Code to abstain from voting on the shareholders’ resolution to approve the Settlement Arrangement and the transactions contemplated thereunder at the SGM
“Independent Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected person(s), as defined under the Listing Rules
“King Domain”	King Domain Limited, a company incorporated in the BVI with limited liability
“Long Stop Date”	30 September 2023 (or such other date as the parties to the Settlement Agreement may agree in writing)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. HAN”	Mr. HAN Xiaosheng, an executive Director and the chairman of the Company, and he is interested in 49% of the entire issued share capital of the Offeror and a director of the Offeror
“Mr. LAM”	Mr. Kenneth LAM Kin Hing, an executive Director and the chief executive officer of the Company, and he is interested in 51% of the entire issued share capital of the Offeror and a director of the Offeror
“Ms. LU”	Ms. LU Xiaoyun, the daughter of Mr. LU Zhiqiang

“Oceanwide Holdings IF”	Oceanwide Holdings International Financial Development Co., Ltd., a company incorporated in the BVI with limited liability, being the Shareholder which holds 395,254,732 Shares (representing approximately 6.38% of the entire issued share capital of the Company as at the date of this announcement). As at the date of this announcement, Oceanwide Holdings IF was wholly-owned by China Oceanwide Group Limited, which was wholly-owned by Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) . 58.35% interest in the issued share capital of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) was directly and indirectly (through Oceanwide Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司)) owned by COHG and 98% of the interest in the issued share capital of COHG was held by Oceanwide Group Co., Ltd.* (泛海集團有限公司) . Oceanwide Group Co., Ltd.* (泛海集團有限公司) was wholly-owned by Tohigh. 77.14% and 22.86% of the interests in Tohigh was held by Mr. LU Zhiqiang and 泛海公益基金會 (Oceanwide Foundation), a charitable foundation which was founded by COHG
“Offer”	the mandatory unconditional cash offer to be made by Haitong International Securities Company Limited and Red Sun Capital Limited, on behalf of the Offeror, to acquire all the issued shares in the Company (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it (other than the Vendor Group)) in accordance with the Takeovers Code
“Offer Period”	the period commencing on 27 October 2021, being the date of the announcement of the Company dated 27 October 2021 pursuant to the Takeovers Code up to and including the closing date of the Offer
“Offeror”	Quam Tonghai Holdings Limited, a company incorporated in Hong Kong with limited liability
“PRC”	People’s Republic of China, which for the purpose of this announcement shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Quam Overseas”	Quam Overseas Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company and the transferee of the Target Companies
“Sale Shares”	100% of the issued shares of the Target Companies to be transferred from Tonghai International Development to Quam Overseas to settle outstanding accrued interests on the Debt C up to the date of Completion and part of outstanding principal of the Debt C in accordance with the Settlement Agreement
“Settlement Agreement”	the settlement agreement dated 28 April 2023 entered into among the Company, Quam Overseas, COHG and Tonghai International Development in relation to the Settlement Arrangement
“Settlement Arrangement”	the arrangement to settle part of the Debt C by means of transfer of the Sale Shares, being 100% of issued shares of the Target Companies and free from all Encumbrances and with all rights attached to the Sale Shares as at the Completion, from Tonghai International Development to Quam Overseas
“Settlement Sum”	the amount representing part of the principal amount of the Debt C and all accrued interests of the Debt C up to date of Completion that will be settled by way of transfer of Sale Shares at Completion by Tonghai International Development to Quam Overseas
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held for the purpose of, considering and if thought fit, approving the Settlement Agreement and the transactions contemplated thereunder
“Shares”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)

“Sheen Grace”	Sheen Grace Investments Limited, a company incorporated in the BVI with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Target Companies”	King Domain, Honour Smart, Delight Wise and Sheen Grace
“Tohigh”	Tohigh Holdings Co., Ltd.* (通海控股有限公司), a company incorporated in the PRC with limited liability
“Tohigh Framework Agreements”	The framework agreements entered into between the Company and Tohigh on 21 September 2017 and 30 August 2019 in relation to, among other things, lending transactions between the parties
“Tohigh Group”	Tohigh and its subsidiaries, which for the purpose of this announcement, excluding China Oceanwide Holdings Limited and its subsidiaries and Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) and its subsidiaries
“Tonghai International Development”	Tonghai International Development Limited* (通海國際發展有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of COHG and the transferor of the Target Companies
“US”	United States of America
“US Properties”	US Property I, US Property II, US Property III and US Property IV
“US Property I”	the property located at 250 Atherton Avenue, Atherton, California, the United States of America
“US Property II”	the property located at 25 Longview Court, Hillsborough, California, the United States of America
“US Property III”	the property located at 40 Verbalee Lane, Hillsborough, California, the United States of America

“US Property IV”	the property located at 1111 Tournament Drive, Hillsborough, California, the United States of America
“USD”	United States dollar(s), the legal currency of the United States
“Valuation Report”	the valuation report on the US Properties issued by Masterpiece Valuation Advisory Limited, a qualified independent valuer in Hong Kong engaged by the Company. The text of the such valuation report on the US Properties is set out in Appendix I to this announcement
“Vendor Group”	Oceanwide Holdings IF, China Oceanwide Group Limited, Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), Oceanwide Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司), COHG, Oceanwide Group Co., Ltd.* (泛海集團有限公司), Tohigh, Mr. LU Zhiqiang, Ms. LU and Nautical League Limited
“%”	per cent

For the purpose of this announcement, unless otherwise specified or the context requires otherwise, “” denotes an English translation of a Chinese name and is for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

For the purpose of illustration only and unless otherwise stated, conversion of US\$ into HK\$ in this announcement is based on the exchange rate of US\$1.00 to HK\$7.85. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

On behalf of the Board
China Tonghai International Financial Limited
FANG Zhou
Deputy Chairman

Hong Kong, 28 April 2023

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

Executive Directors:

Mr. HAN Xiaosheng (*Chairman*)
Mr. FANG Zhou (*Deputy Chairman*)
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

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, 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 statement contained in this announcement misleading.

The following is the text of a letter, a valuation summary, and valuation certificates prepared for the purpose of inclusion in this announcement by Masterpiece Valuation Advisory Limited, an independent valuer, in connection with its valuation as of 31 March 2023 of the property interests held by the Target Companies.



Suite 403, 93-103 Wing Lok Street,
Sheung Wan, Hong Kong

WEB: www.mpval.com

28 April 2023

The Board of Directors
China Tonghai International Financial Limited
5/F and 24/F (Rooms 2401 and 2412)
Wing On Centre, 111 Connaught Road Central,
Hong Kong

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of China Tonghai International Financial Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) for us to carry out the valuation of the property interests located in the County of San Mateo, State of California, the United States of America (the “**USA**”) held by King Domain Limited, Honour Smart Investments Limited, Delight Wise Investments Limited and Sheen Grace Investments Limited (the “**Target Companies**”). We confirm that we have carried out the inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the fair value (the “**Fair Value**”) of the property interests as of 31 March 2023 (the “**Valuation Date**”).

VALUATION STANDARDS

In valuing the property interests, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), Rule 11 of the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission, the HKIS Valuation Standards (2020 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published and revised from time to time by the International Valuation Standards Council.

BASIS OF VALUATION

Our valuation is carried out on a Fair Value basis, which is defined as “*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*”.

POTENTIAL TAX LIABILITIES

As advised by the Group, who were advised by its US legal advisers, the potential US tax liabilities which would arise from any subsequent sale of the US Properties, based on current tax laws and regulations in the US, include:

- California documentary transfer tax at approximately 0.11% of the fair market property value of the US Properties at the time of transfer and in relation to the US Properties located in the town of Hillsborough, there is an additional tax of 30 US cents per US\$1,000 on the fair market value of such US Properties;
- California corporate income and franchise tax up to 8.84% on the gain on the sale of the US Properties;
- US federal branch profits tax at 30% on the gain on the sale of the US Properties; and
- US federal corporate income tax rate at 21% on taxable gain.

In the event that the Group disposes the US Properties and assuming that there is no change to the relevant tax laws and regulations in the US, it is likely that the relevant tax liabilities will be crystallised upon sale of the US Properties.

VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Based on the title report as the legal title of the US Properties which has been reviewed and confirmed by the US legal advisers, the properties are free from encumbrances, restrictions, and outgoings of an onerous nature, which could affect their values.

No environmental impact study has been ordered or made.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as of the Valuation Date. We have also assumed that there was not any material change in the properties between the date of our inspection and the Valuation Date.

VALUATION METHODOLOGY

In the course of our valuation, unless otherwise stated, we have valued the properties in their designated uses with the understanding that the properties will be used as such (hereafter referred to as “continued uses”).

In valuing the property interests, we have valued by market approach which is generally by comparing recent market evidence of similar properties located in the neighbourhood area of the property. Adjustments are considered to reflect the differences in various aspects including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the property. This approach is commonly used to value properties where reliable market evidence is available.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have therefore relied on the advice given by the Company and Duane Morris LLP, the US legal advisers to the Company, regarding the title in the US property. All documents have been used for reference only.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the Property. The site inspection was carried out from 20 to 21 January 2023 by Oswald Au (Managing Director of Masterpiece Valuation Advisory Limited) and Greivis Sze (Associate Director of Masterpiece Valuation Advisory Limited) through live stream. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

Moreover, no structural surveys have been undertaken, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the Property is free of rot, infestation, or any other structural defects. No tests were carried out on any of the utility services.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal adviser on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies, and all other relevant matters.

In respect of the properties situated in the United States, the status of titles and grant of major certificates, approvals, and licenses, in accordance with the information provided by the Group are set out in the notes of the respective valuation report.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in United States Dollar (USD).

Our valuation is summarised below, and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Masterpiece Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Managing Director

Note: Mr. Oswald W Y Au is a member of Hong Kong Institute of Surveyors (General Practice), Associate Member of Australian Property Institute and a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 19 years' experience in financial valuation and property valuation in Hong Kong, the PRC, the U.S., and Asia Pacific region.

VALUATION SUMMARY

No.	Property	Fair value in existing state as at 31 March 2023 <i>USD</i>	Fair value in existing state 100% interest attributable to the Target Companies as at 31 March 2023 <i>USD</i>
1.	250 Atherton Avenue, Atherton, CA 94027, County of San Mateo, State of California, the United States of America	28,700,000	28,700,000
2.	25 Longview Court, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	9,900,000	9,900,000
3.	40 Verbalee Lane, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	76,700,000	76,700,000
4.	1111 Tournament Drive, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	7,200,000	7,200,000
Total		122,500,000	122,500,000

VALUATION CERTIFICATE

Property interests held by the Target Companies in the USA

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 March 2023 <i>USD</i>
1.	250 Atherton Avenue, Atherton, CA 94027, County of San Mateo, State of California, the United States of America	<p>The property comprises a 2-storey single family home with a total gross building area of approximately 13,558 sq.ft. (approximately 1,260 sq.m.) which included various ancillary facilities with a total area of approximately 3,488 sq.ft. (approximately 324 sq.m.) located on a land parcel with a total site area of approximately 2.53 acres (approximately 110,076 sq.ft.) completed in 2002.</p> <p>The ancillary facilities include banquet hall, study, dining room, Chinese and Western kitchens, sunroom, basement, and wine cellar.</p> <p>The property was under planned area for single family residential use.</p> <p>The property is located in the City of Atherton, County of San Mateo, near Menlo Country Club, Woodside High School and Sacred Heart Schools, Atherton, with approximately 28 km to San Francisco International Airport (SFO).</p> <p>The property is held under fee simple interest.</p>	As advised by the Group, the property is currently occupied by the owner as of the Valuation Date.	<p>28,700,000</p> <p>(100% interest attributable to the Target Companies: 28,700,000)</p>

Notes:

- i. The registered owner of the property is King Domain Limited.
- ii. The Parcel ID for the land parcel is 038-312-160.
- iii. The property sales comparable are selected as they have characteristics comparable to the subject property. The price range of the comparable from USD1,500 to USD2,600 per sq.ft. on gross building area. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the subject property. In the course of our valuation, we have adopted the average unit rate of the comparable of USD2,117 per sq.ft. on gross building area.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 March 2023 <i>USD</i>
2.	25 Longview Court, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	<p>The property comprises a 1-storey single family home with a total gross building area of approximately 5,700 sq.ft. (approximately 530 sq.m.) located on 2 land parcels with a total site area of approximately 0.59 acres (approximately 25,603 sq.ft.) completed in 2000.</p> <p>The property was under planned area for single family residential use.</p> <p>The property is located in the City of Hillsborough, County of San Mateo, near Vista Park, St. Barts Church, and Montessori Children's House, with approximately 17 km to San Francisco International Airport (SFO).</p> <p>The property is held under fee simple interest.</p>	As advised by the Group, the property is currently occupied by the owner as of the Valuation Date.	<p>9,900,000</p> <p>(100% interest attributable to the Target Companies: 9,900,000)</p>

Notes:

- i. The registered owner of the property is Honour Smart Investments Limited.
- ii. The parcel ID for the land parcels is 031-300-040.
- iii. The property sales comparable are selected as they have characteristics comparable to the subject property. The price range of the comparable from USD1,600 to USD2,000 per sq.ft. on gross building area. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the subject property. In the course of our valuation, we have adopted the average unit rate of the comparable of USD1,737 per sq.ft. on gross building area.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 March 2023 <i>USD</i>
3.	40 Verbalee Lane, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	<p>The property comprises a 4-storey single family home with a total gross building area of approximately 34,639 sq.ft. (approximately 3,218 sq.m.) which included various ancillary facilities with a total area of approximately 17,489 sq. ft. (approximately 1,625 sq.m.) located on 7 land parcels with a total site area of approximately 5.91 acres (approximately 257,309 sq.ft.) completed in 1932. The property has been remodeled from 2016 to 2020 and the total incurred cost is approximately USD 28,000,000.</p> <p>The ancillary facilities include banquet hall, study, conference room, dining room, Chinese and Western kitchens, sunroom, and wine cellar.</p> <p>The property was under planned area for single family residential use.</p> <p>The property is located in the City of Hillsborough, County of San Mateo, near Peninsula Golf & Country Club, Aragon High School Tennis Court, and College of San Mateo, with approximately 13 km to San Francisco International Airport (SFO).</p> <p>The property is held under fee simple interest.</p>	As advised by the Group, the property is currently occupied by the owner as of the Valuation Date.	<p>76,700,000</p> <p>(100% interest attributable to the Target Companies: 76,700,000)</p>

Notes:

- i. The registered owner of the property is Delight Wise Investments Limited.
- ii. The parcel ID for the land parcels is 038-312-160.
- iii. The property sales comparable are selected as they have characteristics comparable to the subject property. The price range of the comparable from USD1,500 to USD2,800 per sq.ft. on gross building area. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the subject property. In the course of our valuation, we have adopted the average unit rate of the comparable of USD2,214 per sq.ft. on gross building area.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Fair value in existing state as at 31 March 2023 <i>USD</i>
4.	1111 Tournament Drive, Hillsborough, CA 94010, County of San Mateo, State of California, the United States of America	<p>The property comprises a 2-storey single family home with a total building area of approximately 6,520 sq.ft. (approximately 606 sq.m.) located on a land parcel with a total site area of approximately 0.71 acres (approximately 30,900 sq.ft.) completed in 1995.</p> <p>The property was under planned area for single family residential use.</p> <p>The property is located in the City of Hillsborough, County of San Mateo, near Peninsula Golf & Country Club, Aragon High School Tennis Court, and College of San Mateo, with approximately 13 km to San Francisco International Airport (SFO).</p> <p>The property is held under fee simple interest.</p>	As advised by the Group, the property is currently occupied by the owner as of the Valuation Date.	<p>7,200,000</p> <p>(100% interest attributable to the Target Companies: 7,200,000)</p>

Notes:

- i. The registered owner of the property is Sheen Green Investments Limited.
- ii. The parcel ID for the land parcel is 038-343-060.
- iii. The property sales comparable are selected as they have characteristics comparable to the subject property. The price range of the comparable from USD1,000 to USD1,400 per sq.ft. on gross building area. The unit rate adopted in the valuation is consistent with the unit rate of the relevant comparable after considered various adjustments including market conditions, size, location, time, age, quality, and any other relevant factors when comparing such sales against the subject property. In the course of our valuation, we have adopted the average unit rate of the comparable of USD1,104 per sq.ft. on gross building area.