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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)

FURTHER UPDATE ON THE SETTLEMENT ARRANGEMENTS

Reference is made to the announcement of China Tonghai International Financial Limited (the “**Company**”) dated 4 May 2023 (the “**First Update Announcement**”), the announcements of the Company dated 24 August 2021, 30 November 2021, 31 March 2022, 29 July 2022, 21 October 2022, 16 November 2022 and 10 March 2023 (collectively, the “**Announcements**”) and the circular (the “**Circular**”) dated 13 February 2023 in relation to, among other things, the Settlement Arrangements, the Settlement Agreement and the Extension in relation to Debt A and Debt B. Capitalised terms used herein shall have the same meanings as those defined in the Announcements and the Circular unless the context requires otherwise.

Background and update on the Pre-restructuring and Restructuring of Oceanwide Holdings

As disclosed in the First Update Announcement, on 27 April 2023, Oceanwide Holdings announced that the PRC Court has issued a decision to commence the pre-restructuring process (the “**Pre-restructuring**”) of Oceanwide Holdings. The Company obtained legal opinion from its PRC legal adviser regarding the implications of the Applications and the Pre-restructuring on the Settlement Arrangements.

Based on the PRC legal opinion, the Company understands that the PRC Court will appoint a provisional liquidator to Oceanwide Holdings (the “**Provisional Liquidator**”) as part of the Pre-restructuring. The Provisional Liquidator’s duty is to assess the restructuring value of Oceanwide Holdings and the possibility of restructuring before proceeding to formal restructuring application and procedures. The PRC legal adviser expects that the Pre-restructuring will last for about three to six months. After that, the Provisional Liquidator will submit a restructuring proposal based on its assessment and application to the PRC Court which will then assess and decide whether or not to proceed

with the formal restructuring process on Oceanwide Holdings (the “**Restructuring**”) and appoint a liquidator to handle the Restructuring (the “**Liquidator**”). As at the date of this announcement, the Company understands that a Provisional Liquidator has not yet been appointed.

Latest status of the Settlement Arrangements

Since the announcement dated 10 March 2023 in relation to the poll results of the Extension SGM, the Company and its professional advisers have been performing due diligence on the Target Group. As at the date of this announcement, the information provided by Oceanwide Holdings has been limited, the progress has been slow and the due diligence work has not been completed. Accordingly, as not all the conditions precedent for the completion of the Settlement Agreement have been satisfied, completion of the Settlement Agreement is yet to take place.

Potential impact of the Pre-restructuring and Restructuring on completing the Settlement Arrangements

Based on the PRC legal opinion, the Company understands that the shares of the Target Company will be subject to the Pre-restructuring or the Restructuring.

The Board would like to update Shareholders and potential investors that, based upon the PRC legal opinion, (i) it is expected that the Pre-restructuring process will not be completed before 30 June 2023; (ii) any pursuit of the Settlement Arrangements may be constrained if the Provisional Liquidator is of the view that the Settlement Arrangements are not in the interest of Oceanwide Holdings in which case there is significant risk that the Liquidator will terminate the Settlement Arrangements on the aforesaid ground during the Restructuring; and (iii) it is unlikely that Oceanwide Holdings would be able to unfreeze the shares of the Target Company by 30 June 2023 (they have been frozen by the PRC Court as such shares is expected to continue to be frozen during the Pre-restructuring).

Moreover, the Company’s PRC legal adviser has also advised that if Oceanwide Holdings enters into the Restructuring, there is a significant risk that Liquidator will file an application to the PRC Court to unwind the Settlement Arrangements (in the event that the Liquidator considers the Settlement Arrangements are not in the interest of Oceanwide Holdings) even though the Settlement Arrangements have been completed.

Accordingly, the Company’s PRC legal adviser advised that there exists significant uncertainty in fulfilling the conditions precedent of the Settlement Agreement by the Long Stop Date (as extended) of 30 June 2023 and even if the Company and Oceanwide Holdings are able to complete the Settlement Arrangements, there is a significant risk that the Settlement Arrangements may be unwound.

Proposed extension of the Long Stop Date and maintenance of the Settlement Agreement

In light of the uncertainties and the risks in relation to the Settlement Arrangements and the implications of the Pre-restructuring and Restructuring as described above, the Board understands that any completion of the Settlement Arrangements may be hindered by or subject to the Pre-restructuring and the Restructuring, which are outside the control of the Company. On that basis, the Board considered whether it is in the best interests of the Company and its shareholders as a whole to extend the Long Stop Date and maintain the Settlement Agreement or to allow the Settlement Agreement to expire on 30 June 2023.

The Board, having taken into account the advice from the Company's PRC legal adviser, considers that maintaining the Settlement Agreement will strengthen the Group's ability to participate in the Pre-restructuring or Restructuring and to recover the Debts under the framework of the Pre-restructuring or Restructuring, versus a scenario whereby the Settlement Agreement has expired or is terminated, based on the following reasons:

- (1) Given that the current Pre-restructuring and Restructuring are applicable to Oceanwide Holdings only, but not including its subsidiaries, the Company may not be recognised as a creditor to Oceanwide Holdings by the Provisional Liquidator and/or the Liquidator solely based on the loan agreements in respect of the Debts, given that the loan agreements were entered into between the Group and the overseas subsidiaries of Oceanwide Holdings, whereas Oceanwide Holdings itself is not a party to such agreements. However, as Oceanwide Holdings had agreed to take on the settlement of the Debts under the Settlement Arrangements and is one of the parties to the Settlement Agreement, the PRC legal adviser advised that maintaining the Settlement Agreement may increase the Group's possibility of being recognised as a creditor of Oceanwide Holdings by the Provisional Liquidator and/or Liquidator.
- (2) In the event that the Company is recognised as a creditor of Oceanwide Holdings, this will allow the Company to have the standing to further discuss with Oceanwide Holdings and the Provisional Liquidator and/or the Liquidator on the completion of the Settlement Agreement or any other alternative options that are permissible under the framework of the Pre-restructuring and Restructuring.
- (3) The Board also considers that the Settlement Arrangements are still the most appropriate and feasible arrangements for settlement of the Debts as it would provide the Company with an earmarked tangible asset of Oceanwide Holdings and the expiry of the Settlement Agreement would extinguish the Company's contractual claim to such asset.
- (4) If the Company allowed the Settlement Agreement to expire or terminate without a feasible recovery alternative, this will limit and worsen the Group's ability to recover the Debts and is not in the interest of the Company and its Shareholders as a whole.

When considering whether the Company should maintain the Settlement Agreement, the Board took account of the following risks:

- (A) As advised by the PRC legal adviser, it is uncertain:
- (i) whether the Provisional Liquidator and/or the Liquidator will accept the Company to participate in the Pre-restructuring or Restructuring despite the increased possibility arising from maintaining the Settlement Agreement;
 - (ii) how the Provisional Liquidator or Liquidator will handle the shares of the Target Company;
 - (iii) whether such shares will be transferred to other creditors of Oceanwide Holdings or not under the Restructuring; or
 - (iv) the Company will receive full recovery.
- (B) The timetable, constraints and procedures of the Pre-restructuring and Restructuring are not under control of the Company, and the restructuring process may take a long time.
- (C) If the efforts of extending the Settlement Agreement prove futile, the Company would have incurred additional costs for the extension (mainly comprising costs for issuing the related circular and convening the special general meeting, engaging legal advisers and the independent financial adviser).

Ultimately, the Board is of the view that such costs (whether in terms of monetary or time) are insignificant compared to the potential recovery from the Settlement Agreement and the detriment suffered by the Group in allowing the Settlement Agreement to expire. Further, if the Company is recognised as a creditor of Oceanwide Holdings, it may be able to mitigate some of the above risks through discussions with the Provisional Liquidator and/or the Liquidator.

The Board has weighed the pros and cons of maintaining the Settlement Agreement, as set out above, and considers that the benefits of maintaining the Settlement Agreement outweigh the costs and risks that the Company may bear. Therefore, the Board has decided that it is in the interests of the Company and its Shareholders as a whole to maintain the Settlement Agreement.

Next steps

Based on the above, the Company will negotiate with Oceanwide Holdings on further extension of the Long Stop Date with the aim to reach agreement as soon as possible. In the meantime, the Company will be mindful of incurring any additional costs in relation to the Settlement Arrangements.

The Company will keep monitoring the progress and communicating with the management of Oceanwide Holdings in relation to the Pre-restructuring and, if appropriate, the Provisional Liquidator and/or Liquidator to be appointed, to continue to explore any alternative options, other than the completion of the Settlement Arrangements, to recover the Debts.

During the Pre-restructuring process, the Company understands that the corporate actions of Oceanwide Holdings, including the further extension of the Long Stop Date, are not subject to approval or consent of the Provisional Liquidator according to the PRC legal opinion. Nevertheless, the PRC legal adviser has advised that the Company should discuss the extension of the Settlement Agreement with the Provisional Liquidator once appointed.

As any further extension of the Long Stop Date will constitute a special deal under Rule 25 of the Takeovers Code, the Company will engage an independent financial adviser to opine on the extension and will also seek independent Shareholders' approval on such extension at a special general meeting of the Company and any extension will be conditional upon obtaining independent Shareholders' approval.

The Company expects that a further update announcement will be made as long as an extension of the Long Stop Date has been agreed amongst the parties involved, or on 16 June 2023, whichever the earlier. The Company will also publish an announcement if there are any material updates in relation to the Settlement Arrangements.

Other implications of the Pre-restructuring and the Restructuring on the Group

Further, based upon the PRC legal opinion, the Board understands that the Pre-restructuring and the Restructuring will not have any impact to the settlement arrangement entered by the Company, Quam Overseas Investment Limited, China Oceanwide Holdings Group Co., Ltd. and Tonghai International Development Limited in relation to Debt C, which was announced by the Company on 28 April 2023, as such agreement only involves the transfer of assets which are not held by Oceanwide Holdings or its subsidiaries and therefore are not subject to the Pre-restructuring or the Restructuring.

As the Settlement Arrangements may or may not be completed, Shareholders and other investors are reminded to exercise caution in dealing in the securities of the Company.

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

Hong Kong, 18 May 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.