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遠東宏信有限公司
FAR EAST HORIZON LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3360)

CONTINUING CONNECTED TRANSACTIONS RENEWED FRAMEWORK AGREEMENT WITH SINOCHEM FINANCE

Reference is made to the announcements of the Company dated 17 June 2011, 11 June 2014 and 10 June 2015 in respect of the continuing connected transactions between the Company and Sinochem Finance.

As the Framework Agreement will expire in June 2018, to regulate such continuing connected transactions, the Board announces that, on 6 June 2018, the Company entered into the Renewed Framework Agreement with Sinochem Finance to renew the continuing connected transactions under the Framework Agreement on substantially the same terms.

Sinochem Finance is an associate of Sinochem Group which is a substantial shareholder of the Company, and accordingly, Sinochem Finance is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the financial services provided by Sinochem Finance to the Group under the Renewed Framework Agreement constitute continuing connected transactions of the Company.

In respect of the Deposit Services, the Company estimates that the Proposed Cap of Deposit Services will amount to RMB1,100 million during the term of the Renewed Framework Agreement.

As the applicable size test percentage ratios in respect of the Proposed Cap of Deposit Services exceed 0.1% but are below 5%, the Deposit Services are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under the Listing Rules.

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THE RENEWED FRAMEWORK AGREEMENT

As the Framework Agreement will expire in June 2018, to regulate such continuing connected transactions, the Board announces that, on 6 June 2018, the Company entered into the Renewed Framework Agreement with Sinochem Finance to renew the continuing connected transactions under the Framework Agreement on substantially the same terms.

The principal terms of the Renewed Framework Agreement are set out below:

Date

6 June 2018

Term

The initial term of the Renewed Framework Agreement shall expire on 31 December 2020. Upon expiry of such initial term, it shall automatically be extended for further terms of three years, subject to the fulfillment of the relevant requirements of the Listing Rules, unless a written notice of termination is served by one party to the other party at least 1 month prior to the expiry of each such term.

Parties

- (a) Sinochem Finance; and
- (b) the Company

Provision of financial services by Sinochem Finance to the Group

Pursuant to the Renewed Framework Agreement, the Group will, from time to time, utilise the financial services available from Sinochem Finance as it deems necessary. Such services include:

- (a) Deposit Services;
- (b) provision of loans to the Group where no security over the assets of the Group will be granted;
- (c) settlement services which include settlement of transactions between members of the Group and settlement of transactions between members of the Group and member units of Sinochem Group or other third parties;
- (d) provision of guarantees at the request of any member of the Group for their respective financing or bidding activities or performance of contracts to member units of Sinochem Group or other third parties, while such member of the Group needs not to provide counter-guarantee;

- (e) internet banking services;
- (f) any concurrent-business insurance agent services as approved by the CIRC;
- (g) insurance brokerage services as approved by the CIRC;
- (h) financial consultancy services, including credit inquiry services; and
- (i) any other financial services as approved by the CBRC.

Pricing principles

- (a) *Deposit Services*: For the interests payable by Sinochem Finance to the Group, the interest rates will be determined in accordance with and shall not be lower than the base rates promulgated by the PBOC for deposits from time to time.
- (b) *Financial assistance to the Group*
 - (i) *provision of loans to the Group*: For the loan interests payable by the Group to Sinochem Finance, the interest rates will be determined in accordance with and shall not be higher than the interest rates offered by independent commercial banks in the PRC to the Group under the same conditions.
 - (ii) *provision of guarantees to the Group*: No guarantee fee will be charged for the guarantees provided by Sinochem Finance to the Group.
- (c) *Other financial services*
 - (i) *settlement services and insurance brokerage services*: No service fee will be charged;
 - (ii) *financial consultancy services to the Group*: The service fees payable by the Group to Sinochem Finance for financial consultancy services shall not be more than the standard rates as promulgated by the PBOC (if applicable). If standard rates as promulgated by the PBOC are not available, the service fees will be negotiated on arm's length after taking into account the market conditions and by reference the fee rates charged by independent financial institutions for comparable services. The service fees charged by Sinochem Finance shall not be less favourable than the fees charged by independent financial institutions for comparable services; and
 - (iii) *internet banking services, concurrent-business insurance agent services and other financial services as approved by the CBRC and/or CIRC*: The service fees charged by Sinochem Finance for such other financial services will be determined according to the fee rates promulgated by the PBOC. If such fee rates are not available, the service fees will be negotiated on arm's length after taking into account the market conditions and by reference to the fee rates charged by independent commercial banks for comparable services. The service fees charged by Sinochem Finance shall not be less favourable than the fees charged by independent financial institutions for comparable services.

Other major terms

Under the Renewed Framework Agreement, in the event of inability of any member of the Group to recover its deposits placed with Sinochem Finance for whatever reason on the latter's part, such member of the Group will have the right to set amounts outstanding payable by the Group to Sinochem Finance off against amounts due to any member of the Group by Sinochem Finance. Sinochem Finance does not have such right of set-off under the Renewed Framework Agreement.

Under the Renewed Framework Agreement, Sinochem Finance will deal with the monies deposited by the Group in such activities as approved by CBRC and the relevant laws and regulations in the PRC. If Sinochem Finance decides to deposit any of such monies, it has undertaken to deposit them with commercial banks approved by the CBRC. Sinochem Finance has also undertaken that the unpaid loans which it has provided to member units of the Sinochem Group shall at all times not exceed the aggregate of Sinochem Finance's equity capital, reserve and deposits received from parties other than the Group.

The Group utilises the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular service, or at all. Sinochem Finance is merely one of a number of financial institutions which provide financial services to the Group.

Individual contracts

Sinochem Finance and the Group may, from time to time, enter into separate agreements which set out the specific scope of services and the terms and conditions of providing such services, according to the principles laid down by the Renewed Framework Agreement. The terms of such separate agreements shall not exceed the term of the Renewed Framework Agreement.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

In order to protect the interests of the Shareholders, the Group has adopted the following internal control procedures and corporate governance measures in relation to its utilisation of Sinochem Finance's services:

(a) Deposit Services

The finance department of the Company is responsible for searching the base rates promulgated by the PBOC from time to time and review the terms of Deposit Services offered by Sinochem Finance to make sure that such pricing principle will be followed for individual transactions.

(b) Financial assistance to the Group

Before the Group enters into any loan agreements or guarantee agreements with Sinochem Finance, the finance department of the Company is responsible for obtaining at least two comparable offers from independent commercial banks or other independent financial institutions, reviewing the terms of such offers and compare such offers with the offer from Sinochem Finance. The general manager of the finance department of the Company is responsible for conducting the final review and determining whether to enter into the relevant agreements with Sinochem Finance.

(c) *Other financial services*

Before the Group enters into any individual agreements with Sinochem Finance, the finance department of the Company will obtain quotes from independent financial institutions for similar financial services. Such quotes, together with the offer from Sinochem Finance, will be reviewed by the general manager of the finance department of the Company to make sure that the fees charged by Sinochem Finance will not be less favourable than the fees charged by independent financial institutions for comparable services.

The Company will report to the independent non-executive Directors every six months on the abovementioned agreements entered into with Sinochem Finance together with information on the comparable offers obtained from independent commercial banks or financial institutions and any changes in the credit ratings of Sinochem Finance during the preceding six-month period.

The Board considers that the above internal control procedures and corporate governance measures adopted by the Company concerning the continuing connected transactions with Sinochem Finance are appropriate and sufficient.

HISTORICAL AMOUNTS FOR THE CONTINUING CONNECTED TRANSACTIONS

Deposit Services

Pursuant to the Framework Agreement, the maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Sinochem Finance shall not exceed RMB958 million during the term of the Framework Agreement. As at the date of this announcement, the maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Sinochem Finance had not exceeded the above cap.

ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

Deposit Services

In respect of the Deposit Services, the Company estimates that the Proposed Cap of Deposit Services will amount to RMB1,100 million during the term of the Renewed Framework Agreement.

This amount has been calculated on the basis of several factors including (i) the requirement to settle accounts receivables from the member units of Sinochem Group or any third party through the deposit accounts of the members of the Group maintained with Sinochem Finance; (ii) the strategies of the treasury management of the Group; (iii) the development and financial needs of the Group during the term of the Renewed Framework Agreement; and (iv) the average cash balance of the Group since the date of listing of the Company. The Proposed Cap of Deposit Services refers to the maximum daily outstanding balances during the term of the Renewed Framework Agreement, and is not cumulative in nature.

Other Financial Services

In respect of the services referred to in paragraphs (c), (e) to (i) under the section headed “Provision of financial services by Sinochem Finance to the Group” in this announcement, the Company expects that the aggregate fees and charges payable by the Group to Sinochem Finance in respect of these categories of continuing connected transactions will not be, on an annual basis, more than the de minimis threshold of 0.1% calculated under Rules 14A.76(1)(a) of the Listing Rules during the term of the Renewed Framework Agreement.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company believes that the risk profile of Sinochem Finance, as a provider of financial services to the Group, is not greater than those of independent commercial banks in the PRC because:

- (i) Sinochem Finance is regulated by the PBOC and the CBRC and it provides its services in compliance with the relevant rules and operational requirements including capital risks guidelines and requisite capital adequacy ratios of such regulatory authorities;
- (ii) Sinochem Finance has not defaulted on any of its credit obligations or to the knowledge of the Company breached any rules or operational requirements of such regulatory authorities; and
- (iii) according to the relevant laws and regulations promulgated by CBRC and as set out in the articles of association of Sinochem Finance, in the event that Sinochem Finance falls into financial difficulty, Sinochem Group, being the holding company of Sinochem Finance, has the obligation to take all required steps, such as injecting capital into Sinochem Finance based on its funding needs, to restore its financial position.

The advantages of utilising financial services provided by Sinochem Finance over utilising similar services provided by independent commercial banks are as follows:

- (i) in respect of Deposit Services, although Sinochem Finance offers interest rates that are the same as those offered by independent commercial banks (because such rates are regulated by the PBOC), Sinochem Finance can assist the Group to formulate a beneficial deposit portfolio comprising different types of deposits such as current deposits, call deposits and fixed deposits, which allows the Group to increase its return on funds and retain sufficient working capital flexibility;
- (ii) through Sinochem Finance’s settlement services, the Group is able to achieve same-day zero rate settlement at no cost. As Sinochem Finance is familiar with the business and transaction pattern of the Group, the settlement services provided by Sinochem Finance tend to provide a more efficient and orderly platform than those that could be provided by independent commercial banks. This also helps to reduce the transaction costs of the Company such as handling fees for transfer of funds and other administrative expenses;
- (iii) through the information system operated by Sinochem Finance, the Group can access the status of receipts and payments of funds made through Sinochem Finance, as well as the status of funds, at no cost and at any time; and
- (iv) as an intra-group service provider, Sinochem Finance generally has better and more efficient communication with the Group as compared with independent commercial banks.

However, if independent commercial banks or other financial institutions offer specific advantages which are more favourable to the Group in respect of any of the financial services set out in the Renewed Framework Agreement, the Group may discontinue its use of such services provided by Sinochem Finance without having to incur extra cost.

The Directors (including the independent non-executive Directors) consider that (i) the Renewed Framework Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms or on terms no less favourable than those from independent third parties under prevailing local market conditions; (ii) the terms of the Renewed Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the Proposed Cap of Deposit Services and the Proposed Caps of Financial Consultancy Services are fair and reasonable.

LISTING RULES IMPLICATIONS

Sinochem Finance is an associate of Sinochem Group which is a substantial shareholder of the Company, and accordingly, Sinochem Finance is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the financial services provided by Sinochem Finance to the Group under the Renewed Framework Agreement constitute continuing connected transactions of the Company.

As the applicable size test percentage ratios in respect of the Proposed Cap of Deposit Services exceed 0.1% but are below 5%, the Deposit Services are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under the Listing Rules.

Pursuant to Rule 14A.90 of the Listing Rules, the continuing connected transactions involving the provision of loans to the Group by Sinochem Finance as stated in paragraph (b) and the provision of guarantees to the Group by Sinochem Finance as stated in paragraph (d) under the section headed "Provision of financial services by Sinochem Finance to the Group" in this announcement are exempt from the reporting, announcement and independent shareholders' approval requirements as these transactions constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

In respect of the other services referred to in paragraphs (c), (e) to (i) under the section headed "Provision of financial services by Sinochem Finance to the Group" in this announcement, the Company expects that the aggregate fees and charges payable by the Group to Sinochem Finance in respect of these categories of continuing connected transactions will not be, on an annual basis, more than the de minimis threshold of 0.1% calculated under Rules 14A.76(1)(a) of the Listing Rules during the term of the Renewed Framework Agreement. Thus, the continuing connected transactions in respect of such services are fully exempt from the requirements under the Listing Rules.

By virtue of the position held in Sinochem Finance by Mr. Yang Lin, being the chairman of Sinochem Finance, he is considered to have a material interest in the entering into of the Renewed Framework Agreement, and has abstained from voting on the resolution approving the Renewed Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Renewed Framework Agreement.

GENERAL INFORMATION

Information on Sinochem Finance

Sinochem Finance is a non-bank financial institution established in September 2007 with the approval of the CBRC. It is subject to the supervision of the CBRC. According to its business licence, it is authorised to provide to the Group all services set out in the Renewed Framework Agreement and provide similar services to other member units of Sinochem Group (but not other parties).

Information on the Group

The Group is one of China's leading innovative financial companies focusing on the Chinese infrastructure industry and leveraging the business model of integrating finance and industry to serve enterprises of greatest vitality with the support of the fast-growing economy in China. It provides integrated finance, investment, trade, advisory and leasing services in healthcare, packaging, transportation, infrastructure construction, industrial machinery, education, textiles, electronic information, as well as other sectors as well as ship brokerage and chartering services.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBRC”	China Banking Regulatory Commission, currently known as China Banking & Insurance Regulatory Commission* (中國銀行保險監督管理委員會)
“CIRC”	China Insurance Regulatory Commission, currently known as China Banking & Insurance Regulatory Commission* (中國銀行保險監督管理委員會)
“Company”	Far East Horizon Limited (遠東宏信有限公司), a company incorporated in Hong Kong with limited liability and listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	the continuing connected transactions involving the provision of deposit services by Sinochem Finance to the Group as set out in the section headed “Provision of financial services by Sinochem Finance to the Group” in this announcement and to be entered into from time to time pursuant to the Renewed Framework Agreement
“Director(s)”	the directors of the Company

“Framework Agreement”	the financial services framework agreement dated 10 June 2015 between the Company and Sinochem Finance in relation to the continuing connected transactions of provision of financial services by Sinochem Finance to the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“member unit(s)”	has the meaning ascribed to it under the Measures for the Administration of the Finance Companies of Enterprises Groups, as enacted by the CBRC on 27 July 2004 and effective on 1 September 2004
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC”	the People’s Republic of China
“Proposed Cap of Deposit Services”	the proposed maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Sinochem Finance during the term of the Renewed Framework Agreement
“Renewed Framework Agreement”	the financial services framework agreement dated 6 June 2018 between the Company and Sinochem Finance in relation to the continuing connected transactions of provision of financial services by Sinochem Finance to the Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sinochem Corporation”	中國中化股份有限公司 (Sinochem Corporation*), a company established in the PRC and a subsidiary of Sinochem Group
“Sinochem Group”	中國中化集團有限公司 (Sinochem Group*), a state-owned enterprise established in the PRC, a substantial shareholder of the Company
“Sinochem Finance”	中化集團財務有限責任公司 (Sinochem Group Finance Co., Ltd.*), a wholly-owned subsidiary of Sinochem Corporation, and for the purpose of the Renewed Framework Agreement only, or its associates, as applicable

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“subsidiary” has the meaning ascribed to it under the Listing Rules

“substantial shareholder” has the meaning ascribed to it under the Listing Rules

By Order of the Board
Far East Horizon Limited
KONG Fanxing
Chief Executive Officer and Executive Director

Hong Kong, 6 June 2018

As at the date of this announcement, the executive directors of the Company are Mr. KONG Fanxing and Mr. WANG Mingzhe, the non-executive directors of the Company are Mr. NING Gaoning (Chairman), Mr. YANG Lin, Mr. LIU Haifeng David, Mr. KUO Ming-Jian, Dr. CHEN Guogang and Mr. John LAW, and the independent non-executive directors of the Company are Mr. CAI Cunqiang, Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming.

** for identification purposes only*