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OP FINANCIAL LIMITED

東英金融有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1140)

**CONTINUING CONNECTED TRANSACTIONS
NEW INVESTMENT MANAGEMENT AGREEMENT**

NEW INVESTMENT MANAGEMENT AGREEMENT

Reference is made to the announcement of the Company dated 3 March 2016 and the circular of the Company dated 25 April 2016 in relation to among others, the Existing Investment Management Agreement.

The Existing Investment Management Agreement is expiring on 31 March 2019. As it is expected that the continued provision of investment and management services by the Investment Manager would be required, on 18 July 2018, the Company and the Investment Manager entered into the New Investment Management Agreement, which is subject to the Independent Shareholders' approval at the EGM. The New Investment Management Agreement will replace the Existing Investment Management Agreement with effect from the Commencement Date and for a term until 31 March 2021.

In consideration of and subject to the New Investment Management Agreement becoming unconditional, the parties have also agreed that, in respect of the monthly management fee and the annual performance fee (if any) payable by the Company to the Investment Manager pursuant to the terms and conditions of the Existing Investment Management Agreement from 1 April 2018 up to the Commencement Date, the Investment Manager will charge the Company a fixed management fee of HK\$1,150,000 per month (or for a period less than a month, the amount of such fee shall be calculated in proportion to the number of days on the basis of a calendar month of 30 days) in lieu of such monthly management fee and annual performance fee, and irrevocably waives any difference thereof as otherwise payable by the Company under the terms of the Existing Investment Management Agreement with effect from the Commencement Date.

* For identification purpose only

IMPLICATIONS UNDER THE LISTING RULES

The Investment Manager, which has been the investment manager of the Company since the listing of the Shares on the Stock Exchange in 2003, is a connected person of the Company by virtue of Rule 14A.08 of the Listing Rules. Therefore, the proposed continuing transactions between the Company and the Investment Manager as contemplated under the New Investment Management Agreement shall constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the annual caps under the New Licence Agreement for each of the three years ending 31 March 2021 are expected to represent more than 5% of one or more of the applicable percentage ratios under the Listing Rules, and the fixed management fee exceeds HK\$10,000,000 on an annual basis, the continuing connected transactions under the New Investment Management Agreement and the annual caps therefor are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the foregoing, the Company will seek to obtain the approval of the Independent Shareholders on the continuing connected transactions under the New Investment Management Agreement and the related annual caps at the EGM.

GENERAL

An EGM will be convened and held for, among others, the Independent Shareholders to consider and, if thought fit, to approve the New Investment Management Agreement and the related annual caps for the three years ending 31 March 2021.

The Company has appointed TC Capital International Limited as the IFA for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the New Investment Management Agreement.

A circular including, among other information, (i) a letter from the Board containing further information on the continuing connected transactions under the New Investment Management Agreement and the related annual caps; (ii) a letter from the IFA containing its advice in connection with the aforesaid; (iii) recommendations of the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 7 August 2018.

NEW INVESTMENT MANAGEMENT AGREEMENT

Reference is made to the announcement of the Company dated 3 March 2016 and the circular of the Company dated 25 April 2016 in relation to among others, the Existing Investment Management Agreement.

The Existing Investment Management Agreement is expiring on 31 March 2019. As it is expected that the continued provision of investment and management services by the Investment Manager would be required, on 18 July 2018, the Company and the Investment Manager entered into the New Investment Management Agreement, which is, subject to the Independent Shareholders' approval at the EGM. The New Investment Management Agreement will replace the Existing Investment Management Agreement with effect from the Commencement Date, for a term until 31 March 2021.

Principal terms of the New Investment Management Agreement

Except for the time period to be covered and adjustments to be made to the management fee payable to the Investment Manager by the Company, the terms of the Existing Investment Management Agreement and the New Investment Management Agreement are substantially the same in all material respects.

The principal terms of the New Investment Management Agreement are set out below:

Date

18 July 2018

Parties

- (1) The Company; and
- (2) The Investment Manager

Early termination of the Existing Investment Management Agreement

The Existing Investment Management Agreement will be terminated with effect from the Commencement Date.

Under the Existing Investment Management Agreement, the Investment Manager is entitled to (1) a monthly management fee which is determined by reference to the net asset value of the Company from time to time; and (2) an annual performance fee which is determined by reference to the increase in the net asset value per Share of the Company from time to time. Please refer to the announcement of the Company dated 3 March 2016 and the circular of the Company dated 25 April 2016 for detailed formulas for determining such monthly management fee and annual performance fee. In consideration of and subject to the New Investment Management Agreement becoming unconditional, the parties have agreed that, in respect of the monthly management fee and the annual performance fee (if any) payable by the Company to the Investment Manager pursuant to the terms and conditions of the Existing Investment Management Agreement from 1 April 2018 up to the Commencement Date, the Investment Manager will charge a fixed management fee of HK\$1,150,000 per month (or for a period less than a month, the amount of such fee shall be calculated in proportion to the number of days on the basis of a calendar month of 30 days) in lieu of such monthly management fee and annual performance fee, and irrevocably waives any difference thereof as otherwise payable by the Company under the terms of the Existing Investment Management Agreement with effect from the Commencement Date.

Duration

From the Commencement Date up to and including 31 March 2021.

Services to be provided

The Investment Manager shall undertake investment and management duties arising pursuant to the Group's investments and shall render such advice and assistance to the Company as it may from time to time require in connection with the investment and divestment of the assets (including cash) of the Group. In particular, the Investment Manager shall:

- (a) identify, review and evaluate investment and divestment opportunities for the Group;
- (b) execute investment and divestment decision of the Company in accordance with the instructions of the Board;
- (c) monitor and keep under review the performance and status of the assets including cash of the Group from time to time; and
- (d) act in accordance with all reasonable instructions given and/or authorities delegated (as the case may be) to it from time to time by the Board and keep the Board fully informed as to the discharge of its powers and duties under the New Investment Management Agreement.

Management fees

In respect of the services provided by the Investment Manager under the New Investment Management Agreement for each calendar month, the Company shall pay the Investment Manager a monthly fee payable in Hong Kong dollars in arrears on or before the seventh Business Day of the immediately following calendar month at HK\$1,150,000 per month.

For a period less than a month, the amount of such fee shall be calculated in proportion to the number of days on the basis of a calendar month of 30 days.

The amount of the fixed monthly management fee payable by the Company under the New Investment Management Agreement has been determined by the parties after arm's length negotiation, taken into account the terms of the Existing Investment Management Agreement and the New Investment Management Agreement, the change of capital and assets, the increase of human resources and those charged by investment managers of other investment companies listed on the Main Board of the Stock Exchange. Moreover, the Company now has built up its own experience and resources in terms of deal sourcing, evaluation, execution and monitoring capability thus reducing its dependency on the Investment Manager.

Condition of the New Investment Management Agreement

The New Investment Management Agreement is conditional upon the approval by the Independent Shareholders in respect of the New Investment Management Agreement at the EGM.

In the event that the condition referred to above cannot be satisfied on or before the Longstop Date, the New Investment Management Agreement shall terminate and none of the parties shall have any rights or obligations against the other except for any antecedent breach of the New Investment Management Agreement in respect of which the right of the party not in default shall remain unaffected.

Termination

The New Investment Management Agreement shall be terminated by the Company or the Investment Manager at any time by written notice to the other party if, among others, the other party goes into liquidation; or the other party commits any material breach of the New Investment Management Agreement which, if capable of remedied, is not remedied within 30 days from the date of a written request served by the party not in default requiring that the breach be remedied.

Proposed annual caps

The Directors expect that the aggregate management fees payable by the Company to the Investment Manager pursuant to the New Investment Management Agreement for each of the three years ending 31 March 2021 will not exceed HK\$13.8 million, HK\$13.8 million and HK\$13.8 million, respectively.

The Proposed Annual Caps are determined by reference to the fixed monthly management fee payable by the Company under the New Investment Management Agreement during each of the three years ending 31 March 2021.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW INVESTMENT MANAGEMENT AGREEMENT

The Company is an investment company under Chapter 21 of the Listing Rules, with the mandate allowing the Group to invest globally in various assets, equity, debts, financial instruments, investment funds and partnerships, investment structures, businesses and special situations.

The Group aims to produce medium to long term shareholder returns through capital appreciation, dividend and fixed income.

The Investment Manager is a corporation licensed to carry out regulated activities of dealing in securities, advising on corporate finance and asset management under the SFO. The Investment Manager has been appointed to act as the investment manager of the Company for more than 10 years since the listing of the Shares on the Stock Exchange on 20 March 2003.

The Board has taken into account, including but without limitation, the following factors when considering whether to continue to appoint the Investment Manager:

- the Investment Manager's possession of the required professional qualifications, expertise and experience in providing the relevant services;

- Sustainability of the Investment Manager's business to provide the relevant services at a reasonable standard;
- the Investment Manager's ability to introduce new investment opportunities and investors to the Company;
- the long-term and cordial business relationship between the Investment Manager and the Company;
- the Investment Manager's in-depth understanding of the operations and business of the Company; and
- the historical performance of the Company's investments contributed by the Investment Manager (*Note: The historical performance of the Company's investments is set out in the annual reports and the interim reports of the Company, copies of which are available on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.opfin.com.hk).*)

The Investment Manager plays a pivotal role to the financial performance of the Group by undertaking the investment and management duties to the Company pursuant to the Existing Investment Management Agreement. Therefore, both the Directors and the Shareholders shall be able to evaluate the performance of the Investment Manager by reading the financial results of the Group as disclosed in the financial reports of the Company (i.e. annual and interim reports).

Having considered the above factors, the Board (excluding the independent non-executive Directors) is of the view that it would be in the interest of the Group and the Shareholders as a whole to continue with the existing relationship with the Investment Manager. The transactions contemplated under the New Investment Management Agreement will continue to be conducted in the ordinary and usual course of business of the Group.

The Directors (excluding the independent non-executive Directors whose opinion will be included in the letter of advice from the Independent Board Committee which forms part of the circular in respect of the transactions contemplated under the New Investment Management Agreement to be despatched to the Shareholders after taking into account the advice from the IFA) consider that the entering into of the New Investment Management Agreement is in the ordinary and usual course of business of the Group and that the terms of the New Investment Management Agreement are determined after arm's length negotiation with the Investment Manager. Accordingly, the Directors (excluding the independent non-executive Directors whose opinion will be included in the letter of advice from the Independent Board Committee which forms part of the circular in respect of the New Investment Management Agreement to be despatched to the Shareholders after taking into account the advice from the IFA) are of the view that the terms of the New Investment Management Agreement and the Proposed Annual Caps are fair and reasonable, on normal commercial terms or better and that the entering into the New Investment Management Agreement is in the interests of the Group and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The Investment Manager, which has been the investment manager of the Company since the listing of the Shares on the Stock Exchange in year 2003, is a connected person of the Company by virtue of Rule 14A.08 of the Listing Rules. Therefore, the proposed continuing transactions between the Company and the Investment Manager as contemplated under the New Investment Management Agreement shall constitute continuing connected transactions of the Company.

As certain applicable percentage ratios in respect of the Proposed Annual Caps is more than 5%, and the fixed management fee exceeds HK\$10,000,000 on an annual basis, the transactions contemplated under the New Investment Management Agreement therefore constitute non-exempt continuing connected transactions of the Listing Rules and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements.

Messrs Zhang Zhi Ping and Zhang Gaobo, being the executive Directors, are the indirect controlling shareholders of OPFSGL (a Shareholder) and Ottness (a substantial Shareholder). In addition, the Investment Manager is an indirect wholly-owned subsidiary of OPFSGL. Therefore, both OPFSGL and Ottness have a material interest in the New Investment Management Agreement and the transactions contemplated thereunder. Accordingly, OPFSGL, Ottness and their respective associates (including Messrs Zhang Zhi Ping and Zhang Gaobo, and the Investment Manager) shall abstain from voting on the relevant resolution(s) approving the New Investment Management Agreement and the transactions contemplated thereunder at the EGM. As at the date of this announcement, OPFSGL, Ottness and their respective associates in aggregate held 359,800,000 Shares, representing approximately 12.25% of the issued share capital of the Company. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, save as disclosed above, none of the Shareholders will be required to abstain from voting at the EGM to consider, and if thought fit, approve the New Investment Management Agreement and the transactions contemplated thereunder.

THE INVESTMENT MANAGER

The Investment Manager is a licensed corporation under the SFO to carry on Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. As at the date of this announcement, the Investment Manager did not provide investment management services to any company other than the Group.

The background and relevant experience of the responsible officers and/or directors who are responsible for asset management business of the Investment Manager are as follows:

CHAN Nap Kee, Joseph has been an executive director and a responsible officer of the Investment Manager since 1994. Mr. Chan has 29 years of experience in commercial and investment banking and asset management. He is currently the chairman, an executive director and chief executive officer of Kaisun Energy Group Limited (stock code: 8203), a company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange. He is also an independent non-executive director of North Asia Strategic Holdings Limited (stock code: 8080), a company listed on the GEM of the Stock Exchange since February 2013 and a non-executive director of HNA Infrastructure Company Limited (stock code: 357) since October

2007, a company listed on the Main Board of the Stock Exchange. Mr. Chan was the deputy manager of Credit Agricole from 1986 to 1994, where he was in charge of the China business. From 1992 to 1994, he was also the co-head of Credit Agricole Asset Management South East Asia Limited. He was also an executive director of Oriental Patron Securities Limited from 2008 to 2013 and SanJohn Capital Limited from 2007 to 2011. Mr. Chan obtained a master degree majoring in international marketing from the University of Strathclyde, the United Kingdom in July 1995, and a diploma in China investment and Trade Study from Peking University in November 1989. Mr. Chan is currently licensed as a responsible officer under the SFO to carry on Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.

CHAN Lap Tak, Jeffrey has been an executive director and a responsible officer of the Investment Manager since 1993. Mr. Chan has over 20 years of experience in securities and investment industries. He is a Permanent Honorary President and immediate past Chairman of the Hong Kong Securities Association. He also serves as a member of the Advisory Committee of the SFC, the Securities and Futures Appeals Tribunal, Advisory Committee of Investor Education Centre and the Banking Finance Industry Training Board of the Vocational Training Council. Mr. Chan holds a Bachelor of Commerce degree from the University of Queensland, Australia and a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and the Hong Kong Securities and Investment Institute. Mr. Chan is currently licensed as a responsible officer by the SFC for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.

POTENTIAL CONFLICTS OF INTEREST

Given the Investment Manager is wholly owned by OPFSGGL, a company which is indirectly controlled by Messrs. Zhang Zhi Ping and Zhang Gaobo, the executive Directors, conflicts may arise in the allocation of investment opportunities identified by Messrs. Zhang Zhi Ping and Zhang Gaobo between the Company and the funds administered by the Investment Manager.

However, it should be noted that such conflicts of interest will rarely occur. The reasons are as follows:

1. As at the date of this announcement, the Investment Manager did not provide investment management services to any company other than the Group; and
2. Messrs. Zhang Zhi Ping and Zhang Gaobo are merely investors of the Investment Manager. They are neither directors nor responsible officers of the Investment Manager and they do not participate in formulating investment strategies, monitoring investment performance and approving investment decisions of the Investment Manager.

Nonetheless, if such conflicts arise, Messrs. Zhang Zhi Ping and Zhang Gaobo shall present all identified investment opportunities to the Company and the Investment Manager on an equitable basis and abstain from voting on transactions where such conflicts arise.

Save as aforementioned, no other Director has a material interest in the New Investment Management Agreement.

GENERAL

The Company has appointed TC Capital International Limited as the IFA to advise the Independent Board Committee and the Independent Shareholders as to whether the continuing connected transactions under the New Investment Management Agreement and the related annual caps are fair and reasonable, whether the continuing connected transactions under the New Investment Management Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM.

The Company will establish the Independent Board Committee to advise the Independent Shareholders as to whether the continuing connected transactions under the New Investment Management Agreement and the related annual caps are fair and reasonable, whether the continuing connected transactions under the New Investment Management Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the IFA.

An EGM will be convened and held for, among others, the Independent Shareholders to consider and, if thought fit, to approve the New Investment Management Agreement and the related annual caps for the three years ending 31 March 2021.

A circular including, among other information, (i) a letter from the Board containing further information on the continuing connected transactions contemplated under the New Investment Management Agreement and the related annual caps; (ii) a letter from the IFA containing its advice in connection with the aforesaid; (iii) recommendations of the Independent Board Committee to the Independent Shareholders; and (iv) a notice convening the EGM and the proxy form, will be despatched to the Shareholders on or before 7 August 2018.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commencement Date”	the first calendar day of the month immediately following the month upon the New Investment Management Agreement becomes effective
“Company”	OP Financial Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange

“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for, among others, considering, and if thought fit, approval by the Independent Shareholders of the continuing connected transactions contemplated under the New Investment Management Agreement and the related annual caps for the three years ending 31 March 2021
“Existing Investment Management Agreement”	the investment management agreement dated 3 March 2016 entered into between the Company and the Investment Manager in respect of the provision of investment management and administration services by the Investment Manager to the Company from 1 June 2016 to 31 March 2019, details of which has been disclosed in the announcement of the Company dated 3 March 2016 and the circular of the Company dated 25 April 2016
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region, the People’s Republic of China
“IFA”	TC Capital International Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Board for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the New Investment Management Agreement
“Independent Board Committee”	a board of committee, comprising the independent non-executive Directors, established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the New Investment Management Agreement and the related annual caps
“Independent Shareholders”	the Shareholders, other than OPFSGL, Ottness and their respective associates (including Messrs Zhang Zhi Ping and Zhang Gaobo, and the Investment Manager), and all other Shareholders interested in the New Investment Management Agreement
“Investment Manager”	Oriental Patron Asia Limited, a licensed corporation permitted to carry on Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longstop Date”	31 August 2018 (or such later date as the parties to the New Investment Management Agreement may agree in writing)
“New Investment Management Agreement”	the investment management agreement dated 18 July 2018 entered into between the Company and the Investment Manager in respect of, subject to the Independent Shareholders’ approval, (i) the early termination of the Existing Investment Management Agreement with effect from the Commencement Date; and (ii) the provision of investment and management duties arising pursuant to the Group’s investments by the Investment Manager to the Group from the Commencement Date up to and including 31 March 2021
“OPFSGL”	Oriental Patron Financial Services Group Limited, a Shareholder holding 29,800,000 Shares, representing approximately 1.01% of the issued share capital of the Company as at the date of this announcement
“Ottness”	Ottness Investments Limited, a substantial Shareholder holding 330,000,000 Shares, representing approximately 11.23% of the issued share capital of the Company as at the date of this announcement
“SFC”	the Securities and Futures Commission in Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
OP Financial Limited
Zhang Gaobo
Executive Director, Chairman & CEO

Hong Kong, 18 July 2018

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zhang Zhi Ping, Mr. Zhang Gaobo and Mr. Zhang Weidong; three non-executive Directors, namely, Dr. Wu Zhong, Mr. Chen Yuming and Dr. Fu Weigang; and three independent non-executive Directors, namely, Mr. Kwong Che Keung, Gordon, Mr. Wang Xiaojun and Professor He Jia.