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中泛控股有限公司
CHINA OCEANWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 715)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO FRAMEWORK SERVICES AGREEMENT

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**

 **SOMERLEY CAPITAL LIMITED**

Reference is made to the announcement of the Company dated 21 September 2017 and the circular of the Company dated 31 October 2017 in relation to the Existing Framework Services Agreement which will expire on 31 December 2019.

On 30 August 2019, the Company and CTIFL entered into the Framework Services Agreement for another term of three years from 1 January 2020 to 31 December 2022, pursuant to which, among others, the Company and CTIFL have conditionally agreed to engage in various services, and investment and lending transactions with each other.

As Oceanwide Holdings is a controlling shareholder of both the Company and CTIFL, CTIFL is a connected person of the Company, and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest of the applicable percentage ratios based on the Annual Caps exceeds 5% and the amount of the relevant Annual Caps is more than HK\$10,000,000, the Framework Services Agreement, the Transactions and the Annual Caps in respect thereof are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, as the highest of the applicable percentage ratios in respect of the Transactions exceeds 25%, the Framework Services Agreement and the Transactions also constitute major transactions of the Company under Chapter 14 of the Listing Rules and are therefore subject to the announcement, circular and shareholders' approval requirements thereunder.

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Framework Services Agreement, the Transactions and the Annual Caps. Oceanwide Holdings and its associates shall abstain from voting on the relevant resolutions to be proposed at the SGM.

As additional time is required to prepare and finalise certain information for inclusion in the circular, the circular containing, among others, the particulars of the Framework Services Agreement, the Transaction and the Annual Caps together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice of the SGM is expected to be despatched to the Shareholders on or about 30 September 2019.

1. INTRODUCTION

Reference is made to the announcement of the Company dated 21 September 2017 and the circular of the Company dated 31 October 2017 in relation to the Existing Framework Services Agreement which will expire on 31 December 2019.

On 30 August 2019, the Company and CTIFL entered into the Framework Services Agreement for another term of three years from 1 January 2020 to 31 December 2022, pursuant to which, among others, the Company and CTIFL have conditionally agreed to engage in various services, and investment and lending transactions with each other.

2. PRINCIPAL TERMS OF THE FRAMEWORK SERVICES AGREEMENT

The principal terms of the Framework Services Agreement are summarised below:

Date

30 August 2019

Parties

CTIFL; and

the Company

Term

Subject to the Conditions Precedent being fulfilled on or before 31 December 2019, the Framework Services Agreement shall be for a term of three years commencing on 1 January 2020 and ending on 31 December 2022.

Nature of the Transactions

(1) Service Transactions

The services to be provided by CTIFL Group to the Group or by the Group to CTIFL Group (as the case may be) as contemplated under the Framework Services Agreement are summarised below:

Expenses for services provided by CTIFL Group to the Group

- (a) Corporate finance:** (i) corporate finance services including but not limited to arranging fundraisings through the issue of equity, debt or convertible securities or derivative products, soft underwriting or arrangement of loans, investments or syndications; (ii) provision of merger and acquisition advice; and (iii) business consultation or financial advisory services;
- (b) Marketing:** marketing services including investor relations services, sharing of financial website information, project management and advertising sale services;
- (c) Financial assistance, securities trading and financing:** securities trading services, provision of guarantee, secured or unsecured financing and/or loans, including margin financing, acting as a syndicated loans arranger, agent or lead lender for the Group, and ancillary services; and

- (d) **Asset management:** asset or fund management services, including acting as manager, consultant, assistant consultant or provision of relevant supporting activities (such as acting as agent for calculations, acting as agent for valuations and conducting market research).

Income for services provided by the Group to CTIFL Group

- (a) **Corporate support:** corporate support services in relation to corporate finance business of CTIFL Group, including but not limited to business or client referrals.

(2) *Investment, Lending and Underwriting Transactions*

The investment, lending and underwriting transactions conducted between the Group and CTIFL Group as contemplated under the Framework Services Agreement are summarised below:

- (a) **Investment and lending transactions:** (i) fund investment: the Group investing into investment funds managed by CTIFL Group; (ii) financial assistance: CTIFL Group providing to the Group guarantee, secured or unsecured financing and/or loans, including margin financing, acting as a syndicated loans arranger, agent or lead lender; and
- (b) **Hard underwriting:** hard underwriting arrangements provided by CTIFL Group (as underwriter) for fundraising including the issue of securities and financial products, rights issue and placing by the Group (as issuer).

The Framework Services Agreement may be amended or supplemented from time to time by agreement in writing between the Company and CTIFL, subject to compliance by the Company and CTIFL with all applicable laws and regulations, including the Listing Rules.

Payment and Pricing

For details of payment and pricing for the Transactions, please refer to the section headed “3. Payment and Pricing of the Transactions” in this announcement.

Conditions Precedent

The Transactions are conditional upon fulfillment of the following Conditions Precedent on or before 31 December 2019:

- (1) CTIFL obtaining independent shareholders' approval in accordance with the relevant Listing Rules in relation to the Framework Services Agreement, the Transactions and the Annual Caps;
- (2) the Company obtaining Independent Shareholders' approval in accordance with relevant the Listing Rules in relation to the Framework Services Agreement, the Transactions and the Annual Caps; and
- (3) other consents and approvals required to be obtained by the Company and CTIFL in relation to the Transactions in accordance with applicable laws and regulations.

If any of the conditions above is not fulfilled on or before 31 December 2019, the Framework Services Agreement will be terminated.

Termination

The Framework Services Agreement shall not be terminated prior to the expiration of its full term unless by mutual agreement in writing by both parties or upon material breach by a party in which the other party requested the termination of the Framework Services Agreement.

3. PAYMENT AND PRICING OF THE TRANSACTIONS

Pricing in respect of transaction amounts receivable/payable by the Group from/to CTIFL Group will follow the Group's pricing standard applicable to independent third parties in comparable transactions. Accordingly, the amounts to be charged by the Group against CTIFL Group or charged by CTIFL Group against the Group (as the case may be) will be on the same scale as those charged against independent third parties by the Group or charged against the Group by independent third parties (as the case may be) for similar transactions.

The Transactions shall be entered into on normal commercial terms and the services fees will be charged at rates no less favourable to the Group than rates at which the Group charged/paid to independent third parties for comparable transactions.

The Group and CTIFL Group shall from time to time enter into specific agreements for the particular Transactions, which shall follow the Group's pricing standard applicable to independent third parties.

With respect to each category of services transactions and investment and lending transactions, the fees charged/chargeable or paid/payable (as the case may be) shall be determined with reference to, among other things:

- (a) the Group's internal policy which is applicable to all business partners;
- (b) fees charged/paid or chargeable/payable for historical services/transactions of similar nature (if any) and the then prevailing market rates for each type of service/transaction;
- (c) scale of the relevant services/transactions;
- (d) resources estimated to be spent on providing/receiving the relevant services/transactions;
- (e) fees charged/paid or chargeable/payable for comparable transactions of independent third parties in the market if such comparable transactions are available;
- (f) for fund investment transactions, the pre-set rate of management fees/performance fees for a particular fund which is the same for all investors of the fund, including independent investors; and
- (g) for determining underwriting commission and interest rates of financial assistance, the size of fundraising, prevailing market condition and the financial position of the Group at the time of the fundraising.

The pricing basis of each category of the Transactions is summarised below:

(1) **Service Transactions**

Expenses for services provided by CTIFL Group to the Group

- (a) ***Corporate finance:*** (i) in terms of fundraising, the fees will be determined with reference to the type of the securities issued or financing structure (as the case may be), size of the fundraising, expected sales and/or structuring work, issue price and the then prevailing market rates for comparable transactions. The fees normally set at 1% of the size of fundraising; (ii) in terms of mergers and acquisitions services, the fees will be determined with reference to the success fee of enterprise valuation in relation to the relevant transaction, possibly with an engagement deposit. Success fee generally ranges from 1% to 5% of the enterprise valuation, with reference to scope of service, size of the transaction, complexity of the transaction structure, expected workload for completion of the transaction and comparable historical transactions with independent third parties;(iii) in terms of commercial or financial advisory services, the fees will be determined with reference to the scale, nature of services and scope, complexity and timing of the transactions/services and fees for comparable historical transactions with independent third parties;
- (b) ***Marketing:*** the fees will be determined through arm's length negotiations by the parties with reference to the type, scope and duration of services and the fees for comparable transactions with independent third parties;
- (c) ***Financial assistance, securities trading and financing:***
- (i) ***Financial assistance (not including margin financing):*** the terms will be based on normal commercial terms, with interest rates calculated with reference to market rates for the relevant tenure, size of the financing or loans, loan terms (including quality of the collaterals securing the loan and type of guarantee (if any)), credit risk evaluation and the interest rate calculated based on prevailing market conditions at that time;

- (ii) **Margin financing:** reference will be made to the standard reference interest rates of different tiers of stock collaterals. In the event that the transaction involves higher risks or greater loan amount, adjustments will be made; and
- (iii) **Securities trading:** the fees charged by the CTIFL Group are based on the consideration of the traded securities and range from 0.005% to 2.75% which depend on the stock exchange on which the securities are traded. In terms of shares traded in Hong Kong, commission rate generally ranges from 0.08% to 0.25% which is with reference to the then prevailing commission rate in the stock market and the trading volume of the major securities brokerage companies in Hong Kong and the other party; and
- (d) **Asset management:** the fees will be determined with reference to size, structure, service scope and investment mandate of the funds and fees for comparable transactions in the market at that time. Annual management fees will range from 0.2% to 2% of the value of the assets managed. Annual performance fees will be not more than 20% of the annual return on funds.

Income for services provided by the Group to CTIFL Group

- (a) **Corporate support:** the referral fees will be determined with reference to the rates for client referrals of similar services/transactions after apportion with independent third parties. Referral fees in relation to corporate finance advisory services will range from 10% to 20% of the fees which the client has to pay.

(2) Investment, Lending and Underwriting Transactions

(a) *Investment and lending transactions:*

- (i) ***Fund investment:*** the fees will be determined with reference to the size, structure, service scope and investment mandate of the funds and fees for comparable transactions in the market at that time. Management fees will range from 0.2% to 2% of the value of the assets managed. Performance fees will be not more than 20% of the return on funds;
- (ii) ***Financial assistance (not including margin financing):*** the terms of the financial assistance to be provided by CTIFL Group will be based on normal commercial terms, with interest rates calculated with reference to market rates for the relevant tenure, size of the financing or loans, loan terms (including quality of the collaterals securing the loan and type of guarantee (if any)), credit risk evaluation and the interest rate calculated based on prevailing market conditions at that time; and
- (iii) ***Margin financing:*** reference will be made to the standard reference interest rates of different tiers of stock collaterals. In the event that the transaction involves higher risks or greater loan amount, adjustments will be made.

- (b) ***Hard underwriting:*** the fees will be determined with reference to the type of securities issued or financing structure (as the case may be), size of the funds raised, expected sales and/or structuring work, issue price and the then prevailing market rates for comparable transactions.

4. HISTORICAL TRANSACTION AMOUNTS, ANNUAL CAPS AND BASIS

Set out below are the historical transaction amounts in respect of the transactions contemplated under the Existing Framework Services Agreement for the two years ended 31 December 2017 and 2018, respectively, and the six months ended 30 June 2019 shown for the purpose of comparison with the Annual Caps:

Type of the Transactions	For the year ended 31 December 2017 <i>HK\$ million</i>	For the year ended 31 December 2018 <i>HK\$ million</i>	For the six months ended 30 June 2019 <i>HK\$ million</i>
(1) Services transactions			
(a) Income from service transactions provided to CTIFL Group	0.5	–	–
(b) Expenses for service transactions provided by CTIFL Group (including interest expenses to CTIFL arising from the lending transactions)	0.6	20.9	12.3
(2) Investment, lending and underwriting transactions			
(a) Maximum daily amount/ outstanding balance for investment transactions provided to CTIFL Group			
– Fund investment	–	–	–
(b) Maximum daily amount/ outstanding balance for lending and underwriting transactions provided by CTIFL Group			
– Financial assistance			
– loan principal	280.0	288.0	293.0
– Underwriting	–	–	–
	<u> </u>	<u> </u>	<u> </u>

The Annual Caps for the three financial years ending 31 December 2020, 2021 and 2022 respectively are shown below:

Type of the Transactions	For the year ending 31 December 2020 <i>HK\$ million</i>	For the year ending 31 December 2021 <i>HK\$ million</i>	For the year ending 31 December 2022 <i>HK\$ million</i>
(1) Services transactions			
(a) Income from service transactions provided to CTIFL Group	0.5	0.5	0.5
(b) Expenses for service transactions provided by CTIFL Group (including interest expenses to CTIFL arising from the lending transactions)	98.0	98.0	98.0
(2) Investment, lending and underwriting transactions			
(a) Maximum daily amount/ outstanding balance for investment transactions provided to CTIFL Group			
– Fund investment	60.0	60.0	60.0
(b) Maximum daily amount/ outstanding balance for lending and underwriting transactions provided by CTIFL Group			
– Financial assistance			
– loan principal	480.0	480.0	480.0
– Underwriting	120.0	120.0	120.0
	<u>120.0</u>	<u>120.0</u>	<u>120.0</u>

Basis for the Annual Caps

The Annual Caps were determined by reference to (a) the historical transaction amounts in respect of the transactions contemplated under the Existing Framework Services Agreement as disclosed above; (b) the proposed annual or annualised amount of payment in respect of the Transactions to be conducted between member(s) of the Group and member(s) of CTIFL Group over the next three years; (c) the potential growth of both the business between the Group and CTIFL Group in the future; and (d) for transaction flexibility, a reasonable buffer to cater for unexpected business growth, inflation and currency fluctuations and on the principal assumptions that, during the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and CTIFL Group.

5. REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK SERVICES AGREEMENT

The Transactions are expected to be of a recurrent nature and will occur on a regular and continuing basis. The Transactions are expected to fully utilise the existing business setup between the Group and CTIFL Group and lower the Group's operating costs and provide an additional source of revenue for the Group. It is believed that through conducting the Transactions, synergies in terms of convenience, support and marketing will be realised. It is also considered that the Transactions would secure a long-term and reliable business collaboration between the Group and CTIFL Group and the entering into of the Framework Services Agreement is in the interests of the Company and the Shareholders as a whole.

The Board (excluding one of the independent non-executive Directors constituting the Independent Board Committee whose view will be given after considering the advice to be given by the Independent Financial Adviser) is of the opinion that the terms of the Framework Services Agreement and the Transactions (including the Annual Caps) are on normal commercial terms and are fair and reasonable and the entering into of the Framework Services Agreement and the Transactions (including the Annual Caps) is in the interests of the Group and the Shareholders as a whole. No Director has a material interest in the Framework Services Agreement and the Transactions. As certain Directors, namely Mr. HAN Xiaosheng, Mr. LIU Bing, Mr. LIU Hongwei, Mr. ZHANG Xifang, Mr. ZHAO Yingwei, Mr. LIU Jipeng and Mr. LO Wah Kei Roy are also directors of CTIFL, they have voluntarily abstained from voting on the relevant Board resolutions approving the Framework Services Agreement, the Transactions and the Annual Caps.

6. LISTING RULES IMPLICATIONS

As Oceanwide Holdings is a controlling shareholder of both the Company and CTIFL, CTIFL is a connected person of the Company and the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the applicable percentage ratios based on the Annual Caps exceeds 5% and the amount of the Annual Caps is more than HK\$10,000,000, the Framework Services Agreement, the Transactions and the Annual Caps in respect thereof are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further, as the highest of the applicable percentage ratios in respect of the Transactions exceeds 25%, the Framework Services Agreement and the Transactions also constitute major transactions of the Company under Chapter 14 of the Listing Rules and are therefore subject to the announcement, circular and shareholders' approval requirements thereunder.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Framework Services Agreement and the Transactions (including the Annual Caps) are fair and reasonable, and whether the Transactions are on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, taking into account the recommendation of the Independent Financial Adviser. Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Each of Mr. LIU Jipeng and Mr. LO Wai Kei Roy, being an independent non-executive director of both the Company and CTIFL, has excused himself from being a member of the Independent Board Committee and will not give opinion in respect of the Framework Services Agreement, the Transaction and the Annual Caps. The Independent Board Committee consists of one member only, namely Mr. YAN Fashan, an independent non-executive Director.

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Framework Services Agreement, the Transactions and the Annual Caps. Oceanwide Holdings and its associates shall abstain from voting on the relevant resolutions to be proposed at the SGM.

As additional time is required to prepare and finalise certain information for inclusion in the circular, the circular containing, among others, the particulars of the Framework Services Agreement, the Transactions and the Annual Caps, together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice of the SGM is expected to be despatched to the Shareholders on or about 30 September 2019.

7. GENERAL

The Group is principally engaged in property investments in the PRC, real estate development in the United States of America and the development in the energy sector in Indonesia, as well as finance investment and others.

CTIFL Group is principally engaged in (i) discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services; (ii) corporate finance advisory and general advisory services; (iii) fund management, discretionary portfolio management and portfolio management advisory services; (iv) financial media services; and (v) investment and trading of various investment products.

DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following terms shall have the meanings set out below:

“Annual Caps”	the proposed maximum aggregate annual value for each category of the Transactions as described under the section headed “Historical Transaction Amounts, Annual Caps and Basis” in this announcement
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	China Oceanwide Holdings Limited (中泛控股有限公司) (Stock Code: 715), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Conditions Precedent”	the conditions described under the section headed “2. Principal Terms of the Framework Services Agreement – Conditions Precedent” in this announcement

“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“CTIFL”	China Tonghai International Financial Limited (中國通海國際金融有限公司) (formerly known as China Oceanwide International Financial Limited (中國泛海國際金融有限公司)) (Stock Code: 952), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“CTIFL Group”	CTIFL and its subsidiaries from time to time
“Director(s)”	the director(s) of the Company
“Existing Framework Agreement”	the framework services agreement entered into between the Company and CTIFL on 21 September 2017
“Framework Services Agreement”	the framework services agreement entered into between the Company and CTIFL on 30 August 2019
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising only Mr. YAN Fashan, being an independent non-executive Director, established to advise the Independent Shareholders with regard to the terms of the Framework Services Agreement, the Transactions and the Annual Caps

“Independent Financial Adviser”	Somerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the terms of the Framework Services Agreement, the Transactions and the Annual Caps
“Independent Shareholders”	the Shareholders, other than Oceanwide Holdings and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Oceanwide Holdings”	泛海控股股份有限公司 (Oceanwide Holdings Co., Ltd.*) (Stock Code: 000046), a joint stock company incorporated in the PRC whose shares are listed on the Shenzhen Stock Exchange, and the controlling shareholder of both the Company and CTIFL
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting to be convened and held by the Company to consider and, if thought fit, approve (among other matters) the Framework Services Agreement, the Transactions and the Annual Caps
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Framework Services Agreement

“%”

per cent.

By Order of the Board
China Oceanwide Holdings Limited
HAN Xiaosheng
Chairman

Hong Kong, 30 August 2019

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

Executive Directors:

Mr. HAN Xiaosheng (*Chairman*)

Mr. LIU Bing

Mr. LIU Hongwei

Mr. ZHANG Xifang

Mr. LIU Guosheng

Independent Non-executive Directors:

Mr. LIU Jipeng

Mr. YAN Fashan

Mr. LO Wa Kei Roy

Non-executive Director:

Mr. ZHAO Yingwei

* *for identification purpose only*