
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Oceanwide Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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
FRAMEWORK SERVICES AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

**INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT BOARD
COMMITTEE AND THE INDEPENDENT SHAREHOLDERS**



SOMERLEY CAPITAL LIMITED

A letter from the Board is set out on pages 4 to 21 of this circular. A letter from the Independent Board Committee containing its recommendation is set out on page 22 of this circular. A letter from Somerley, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 48 of this circular.

A notice convening the SGM to be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Friday, 18 October 2019 at 11:00 a.m. is set out on pages SGM-1 to SGM-2 of this circular. A form of proxy for use at the SGM is also enclosed.

Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

30 September 2019

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings.

“Annual Caps”	the proposed maximum aggregate annual value for each category of the Transactions as described under the section headed “5. Historical Transaction Amounts, Annual Caps and Basis” in this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for business in Hong Kong (other than a Saturday, Sunday or public holiday or a day on which a tropical cyclone warning No. 8 or above or “extreme conditions” caused by a super typhoon or a black rainstorm warning signal is/are in force in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
“COGL”	China Oceanwide Group Limited, an intermediate holding company of the Company
“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 circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Notes”	HK\$600,000,000 6.0% convertible notes due 2023 issued by the Company on 27 December 2018, details of which are disclosed in the announcements of the Company dated 12 December 2018, 20 December 2018 and 27 December 2018 respectively
“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

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Existing Framework Services 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” or “Somerley”	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
“Latest Practicable Date”	26 September 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“Oceanwide Holdings International”	Oceanwide Holdings International Co., Ltd (泛海控股國際有限公司), a company incorporated in the BVI with limited liability, an indirect wholly-owned subsidiary of Oceanwide Holdings and the immediate controlling shareholder of the Company

DEFINITIONS

“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules, as applicable to a transaction
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau 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 held by the Company at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Friday, 18 October 2019 at 11:00 a.m. to consider and, if thought fit, approve (among other matters) the Framework Services Agreement, the Transactions and the Annual Caps
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Framework Services Agreement
“US”	the United States of America
“US\$”	US dollars, the lawful currency of the US
“%”	per cent.

* *The English names of the PRC entities referred to in this circular are translations from their Chinese names and are for identification purpose only. If there are any inconsistencies, the Chinese names shall prevail.*

For illustration purpose only, conversions of US\$ to HK\$ in this circular are based on the exchange rate of US\$1.00 = HK\$7.8381. No representation is made that the US dollar amount could actually be converted into Hong Kong dollars, or the Hong Kong dollar amount could actually be converted into US dollars, at the above rate or any other rates at all.

LETTER FROM THE BOARD



中泛控股有限公司

CHINA OCEANWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 715)

Executive Directors:

Mr. HAN Xiaosheng (*Chairman*)
Mr. LIU Bing
Mr. LIU Hongwei
Mr. ZHANG Xifang
Mr. LIU Guosheng

Non-executive Director:

Mr. ZHAO Yingwei

Independent Non-executive Directors:

Mr. LIU Jipeng
Mr. YAN Fashan
Mr. LO Wa Kei Roy

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office and Principal

Place of Business:

64/F, Bank of China Tower
1 Garden Road
Hong Kong

30 September 2019

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS FRAMEWORK SERVICES AGREEMENT AND NOTICE OF SGM

1. INTRODUCTION

Reference is made to the announcement of the Company dated 30 August 2019, in relation to the Framework Services Agreement, the Transactions and the Annual Caps.

The purpose of this circular is to provide you with, among other things, (i) details of the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps); (iii) the letter of advice from the

LETTER FROM THE BOARD

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps); and (iv) the notice of the SGM.

2. PRINCIPAL TERMS OF THE FRAMEWORK SERVICES AGREEMENT

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

Date

30 August 2019

Parties

- (a) CTIFL; and
- (b) 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

LETTER FROM THE BOARD

- (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 circular.

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

LETTER FROM THE BOARD

- (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. The payment for all the service transactions will be settled in cash.

With respect to each category of service 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;

LETTER FROM THE BOARD

- (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 for that relevant transaction, 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

LETTER FROM THE BOARD

(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 charged by the major securities brokerage companies in Hong Kong and the trading volume of the underlying transaction; 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.

LETTER FROM THE BOARD

4. 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 (including the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) is of the opinion that the terms of the Framework Services Agreement and the transactions contemplated thereunder (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 contemplated thereunder (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 Wa Kei Roy are also directors of CTIFL (the "**Overlapped Directors**"), they have voluntarily abstained from voting on the relevant Board resolutions approving the Framework Services Agreement, the Transactions and the Annual Caps.

LETTER FROM THE BOARD

5. HISTORICAL TRANSACTION AMOUNTS, ANNUAL CAPS AND BASIS

Set out below are the annual caps, historical transaction amounts and utilization rates of the annual caps 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			For the year ended 31 December 2018			For the six months ended 30 June 2019		
	Historical transaction		Utilisation rate	Historical transaction		Utilisation rate	Historical transaction		Utilisation rate
	Annual cap	amount		Annual cap	amount		Annual cap	amount	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million			
(1) Service transactions									
(a) Income from service transactions provided to CTIFL Group	0.5	0.5	100%	5.0	-	0%	5.0	-	0%
(b) Expenses for service transactions provided by CTIFL Group (including interest expenses to CTIFL Group arising from the lending transactions)	6.5	0.6	9%	65.0	20.9	32%	65.0	12.3	19%
(2) Investment, lending and underwriting transactions									
(a) Maximum daily invested amount for investment transactions provided to CTIFL Group									
- Fund investment	100.0	-	0%	200.0	-	0%	200.0	-	0%
(b) Maximum daily amount/outstanding balance for lending and underwriting transactions provided by CTIFL Group									
- Financial assistance									
- loan principal	300.0	280.0	93%	300.0	288.0	96%	300.0	293.0	98%
- Underwriting	-	-	-	200.0	-	0%	200.0	-	0%

LETTER FROM THE BOARD

Set out below are the reasons for the discrepancies between the annual caps and the historical transaction amounts in respect of the transactions contemplated under the Existing Framework Services Agreement for the two years ended 31 December 2018:

- (a) in relation to expenses for service transactions provided by CTIFL Group:
 - (i) **Research:** no research service was required by the Group for the two years ended 31 December 2018;
 - (ii) **Corporate finance:** the Group mainly raised funds through alternative financing channels, such as utilising the loan facilities granted by an intermediate holding company, COGL, and the loans advanced by licensed banks and other non-bank financial institutions, for developing the projects for the two years ended 31 December 2018. As a result, other than the issue of the Convertible Notes in December 2018, there was no large-scale debt and/or equity placing exercises conducted by the Group, which in turn resulted in limited financial advisory fees incurred and low utilisation rates for the annual caps;
- (b) **Fund investment:** the Group did not make investment in any funds managed by CTIFL Group for the two years ended 31 December 2018, as it was the Group's intention to focus resources on the development of certain projects, and the funds managed by CTIFL Group do not meet the investment criteria of the Group; and
- (c) **Underwriting:** due to the poor market response on debt and equity financing issued by the Group, the Group mainly raised funds through alternative financing channels, such as utilising the loan facilities granted by COGL and the loans advanced by licensed banks and other non-bank financial institutions, for developing the projects for the two years ended 31 December 2018. As a result, other than the issue of the Convertible Notes in December 2018, there was no large-scale debt and/or equity placing exercises conducted by the Group, which in turn reduced the underwriting opportunities for CTIFL Group. For the issue of the Convertible Notes in December 2018, after assessment by the management, the Group appointed an independent third party underwriter with full commitment of HK\$600 million of Convertible Notes to be issued, being three times of the relevant annual cap for underwriting for the year ended 31 December 2018 (i.e. HK\$200 million), and considered that it was in the best interest of the Group and the Shareholders.

LETTER FROM THE BOARD

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) Service 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 Group arising from the lending transactions)	98.0	98.0	98.0
(2) Investment, lending and underwriting transactions			
(a) Maximum daily invested amount 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

LETTER FROM THE BOARD

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.

Taking into account, among other things, the discrepancies between the relevant annual caps and the historical transaction amounts for the two years ended 31 December 2018, the main factors for determining the Annual Caps for the three years ending 31 December 2022 in relation to the expenses for service transactions provided by CTIFL Group, fund investment and underwriting, respectively are set out below:

- (a) in relation to expenses for service transactions provided by CTIFL Group:
 - (i) **research**: considering the utilisation rate of the relevant annual caps of 0% for the two years ended 31 December 2018, the Group excluded research services from the services to be provided by CTIFL Group to the Group under the Framework Services Agreement;
 - (ii) **corporate finance**: the Group plans to explore various channels for fundraisings during the three years ending 31 December 2022, including the issue of equity, debt and/or convertible securities, to fund the Group's business projects, finance investments and/or refinance existing borrowings. It is expected that various financial advisory services would be required from CTIFL Group and significant fees will be charged by CTIFL Group;
 - (iii) **marketing**: marketing services are expected to be required from CTIFL Group, considering the Group's business developments in the three years ending 31 December 2022;
 - (iv) **financial assistance and securities trading**: in the event that the Group has additional funds after conducting fundraising activities, the Group can diversify more financial resources to financial investments and will consider investing into listed securities and therefore will require securities trading services from CTIFL Group. Further, costs of borrowings are generally increasing in recent years and therefore interest expenses to be incurred are expected to increase in the event that loans are provided by CTIFL Group to the Group;
- (b) **fund investment**: in the event that the Group has additional funds after conducting fundraising activities, the Group can diversify more financial resources to financial investments and will consider investing into funds managed by CTIFL Group after assessing the relevant investment opportunities; and

LETTER FROM THE BOARD

- (c) **underwriting**: the Group would need a substantial amount of capital for its business development in the coming years. The Group may conduct debt issues (for example, in the form of notes and bonds) of not less than HK\$1 billion, in which case CTIFL Group may be involved to underwrite a portion of such debt issues, in each of the three years ending 31 December 2022, after CTIFL Group has assessed its financial ability. In such a case, underwriting fees will be payable by the Group to CTIFL Group.

Furthermore, as financing and investment transactions are highly dependent on market sentiments and the stock market may be volatile, having adequate Annual Caps will enable the Group to respond to, and pursue, attractive and valuable financing and/or investment opportunities available from CTIFL Group in a timely manner. No additional time is required to be spent on revising the Annual Caps in the event that there are any valuable opportunities available from CTIFL Group if the Annual Caps set are adequate and sufficient to cover the proposed transactions.

6. INTERNAL CONTROL PROCEDURES

The Group has put in place internal procedures and controls to ensure that the Transactions shall be entered into on normal commercial terms and the service 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:

Procedures

1. Corporate finance, marketing and securities trading services provided to the Group

When there is a need from the Group for corporate finance, marketing or securities trading services on a transaction or project, the designated staff(s) from investment management department of the Group will seek quotations from at least two independent service providers in the industry, negotiate on the terms of the fee proposals, make a summary report setting out the fee quotations, scope of services, ability to meet the transaction requirements, the capability and the reputation in the industry, and submit the same to the head of legal, risk management and company secretarial departments of the Group, the chief financial officer of the Group (the “CFO”), the executive Directors, and the Board, (if the transaction requires announcement to be published by the Company under the Listing Rules) for approval.

2. Corporate support services provided by the Group

When there is a potential customer seeking for corporate finance services, the designated staff(s) from the investment management department of the Group would negotiate with CTIFL Group for the terms and conditions of the agreement and arrange the legal department to prepare a formal individual agreement to be entered into by the parties.

Each individual agreement shall be approved by the risk management and company secretarial departments, legal counsel, the CFO, the executive Directors, and the Board (if the transaction requires announcement to be published by the Company under the Listing Rules).

LETTER FROM THE BOARD

On a monthly basis, members of CTIFL Group will provide statements regarding the monthly transaction summary of the referred customers. The finance department of the Group will check the calculation of the referral service fee based on the transaction summary provided by CTIFL Group on a monthly basis, to ensure accuracy of the fee entitlement.

3. Investment transactions provided by the Group and asset management service provided to the Group

If making reference to the latest cash flow forecast prepared by the finance department, the Group has surplus in cash, our finance department will discuss with investment management department which will look for at least two independent potential investment opportunities including but not limited to fund investment, debt and/or equity investments and summarise its findings and recommendations in a report and submit to the legal, risk management and company secretarial departments, the CFO, the executive Directors, and the Board (if the transaction requires announcement to be published by the Company under the Listing Rules) for approval. The investment management department will take into account the following selection criteria when making its recommendation on any potential investment transaction to be provided to CTIFL Group or its associates, as compared to at least two independent potential investment opportunities: (i) whether the investment transaction offers the comparatively higher expected returns for the Group (i.e., with an expected rate-of-return which is above the market norms of the similar products factoring in the related risk level and lock-up period (if any)); (ii) whether the investment transaction is of unacceptable risk; (iii) whether the investment transaction imposes a lock-up period on the Group for more than 6 months or at all; and (iv) the annual management fee, performance fee or any other significant fees to be charged by the fund manager (for the cases of investment funds). The investment management department will make its recommendation based on the most favourable circumstances for the Group with respect to the above selection criteria.

The finance department of the Group will report the performance of the funds invested (i) to the risk management department of the Group and the Board on a monthly basis; and (ii) to the audit committee under the Board, which is comprised of the independent non-executive Directors, on a semi-annual basis.

4. Lending and underwriting transactions provided to the Group

Whenever the Group is in need for financing, by making reference to the latest cash flow forecast prepared by the finance department, our finance department would discuss the funding amount and expected funding time with investment management department which will consider the appropriate debt (bank loans or bonds issue etc.) and/or equity financing (right issues or share placement etc.), approach at least two independent financial institutions/investors and inquire and negotiate on the relevant terms and conditions of the transactions. Our investment management department will then summarise its findings and recommendations on a report and submit to the legal, risk management and company secretarial departments, the CFO, the executive Directors, and the Board (if the transaction requires announcement to be published by the Company under the Listing Rules) for approval.

LETTER FROM THE BOARD

The finance department will monitor the level of the Group's cash reserves and financial resources (including available credit facilities of the Group) as well as funding needs before engaging in the investment and lending transactions. Our finance department will report to the Board the Group's cash reserves and financial resources on a monthly basis. In the case of investment in fund, our finance department will report to the risk management department the fund performance on a monthly basis, and to the audit committee on a half yearly basis.

In the event the Group is not reasonably practicable to obtain additional third party quotation in circumstances where (i) only limited services providers are available for the relevant services; (ii) the service transaction amount is HK\$500,000 or less, which is considered as a small sum; or (iii) where no quotation is submitted by other third party despite an invitation for quotation has been made, the Group may invite quotation from CTIFL Group alone. In such circumstance, prices and contract terms of such service/transaction would be negotiated on an arm's length basis between the Group and CTIFL Group based on a combination of industry experience, similar services carried out in the past, and industry/market knowledge, to ensure that the prices and terms of such services/transactions are no less favourable than the that offered by an independent service provider for other similar services/transactions.

In addition, no common staff, senior management or directors of the Group or CTIFL Group should be involved in the internal control procedures for all the transactions contemplated under the Framework Services Agreement. Any individual transaction contemplated under the Framework Services Agreement with an amount exceeding HK\$500,000 shall be approved by the independent non-executive Directors (not being an Overlapped Director), after taking into consideration whether the individual transaction contemplated under the Framework Services Agreement is fair and reasonable, conducted on normal commercial terms or better, and is not prejudicial to the interests of the Company and the minority Shareholders. In the event the independent non-executive Directors (not being Overlapped Directors) cannot form an unanimously view among themselves, such individual transaction shall be presented to the special connected transaction committee comprising one executive Director/non-executive Director and all independent non-executive Directors (all not being Overlapped Directors), the majority approval of such committee shall be final.

All the transactions contemplated under the Framework Services Agreement are subject to annual review by all the independent non-executive Directors and the auditor of the Company under the Listing Rules. The independent non-executive Directors will confirm in the forthcoming annual reports of the Company whether the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and whether the transactions are fair and reasonable and in the interests of the Shareholders' as a whole. The Company will engage its auditor to conduct annual review on the continuing connected transactions every year and the auditor will provide a letter to the Board pursuant to Rule 14A.56 of the Listing Rules confirming that, among other things, the transactions have not exceeded the proposed Annual Caps. The Company will disclose in the annual report details of the transactions, including the total consideration and terms, a brief description of the transactions and their purposes, the parties to the transactions and description of their relationship. The risk management department will review the appropriateness of the system of internal controls and report the results of the review to the Board on an annual basis.

LETTER FROM THE BOARD

The finance department will monitor the actual transaction amounts for those transactions contemplated under the Framework Services Agreement and compare the actual transaction amounts against the respective Annual Caps on a monthly basis. If the finance department finds that the actual transaction amounts reach 70% of the Annual Caps, it will confer with the relevant department to assess the subsequent business needs so as to determine whether to revise the amount of the Annual Caps.

Pricing and assessment criteria

1. Corporate finance, marketing and securities trading services provided to the Group

For corporate finance, marketing and securities trading services provided to the Group, the Group will gather information on suppliers including their levels of fees/prices and services, and compare and assess their fees/prices and quality of services before submission of the relevant materials for consideration and approval by the head of relevant department, risk management department and the executive Director(s). In such case, any offer from CTIFL Group has to pass through the selection process as other suppliers before it could be appointed.

2. Corporate support services provided by the Group

For client referrals services provided by the Group to CTIFL Group, the Group considers that it is unlikely that the independent third parties will provide quotations to the Group on the referral service fees in view of the connected relationship between the Group and CTIFL Group. Therefore, there is no specific internal requirement for the quotation of services fees for the client referral services. However, the Directors will review and approve the referral commission before entering the agreement.

3. Investment transactions provided by the Group and asset management service provided to the Group

For the investment transactions provided by the Group, in case of a potential fund investment, the Group's investment management team will explore other independent investment funds in the market in the first place and will consider the fund performances, market liquidity, redemption option, pricing, the charging rates of annual management fee and performance fee and whether the fund has proper custodian or trustee to safeguard the assets, etc. Independent custodian/trustee arrangement is a must for the selected investment funds.

The Group shall ensure it has sufficient surplus cash for the investment transactions provided by the Group making reference to the latest cash flow forecast prepared by the finance department. To avoid concentration risk, the amount of funds managed by CTIFL Group to be subscribed by the Group will not be greater than 20% of the Group's preceding month's unaudited total unsecured and unrestricted cash, liquid funds and listed investments.

LETTER FROM THE BOARD

4. *Lending and underwriting transactions provided to the Group*

For the lending and underwriting transactions provided to the Group, the Group's investment management department will compare the prevailing interest rates/fees and terms provided by independent third parties against those provided by CTIFL Group, and assess their ability of executing the transactions.

7. 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 contemplated thereunder (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 Company and the Shareholders as a whole, taking into account the recommendation of the Independent Financial Adviser. Somerley 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 Wa 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 Transactions and the Annual Caps. The Independent Board Committee consists of one member only, namely Mr. YAN Fashan, an independent non-executive Director.

8. INFORMATION ON THE GROUP AND CTIFL GROUP

The Group is principally engaged in property investments in the PRC, real estate development in the US 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.

LETTER FROM THE BOARD

9. CLOSURE OF REGISTER OF MEMBERS

For ascertaining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 16 October 2019, to Friday, 18 October 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM (or at any adjournment thereof), all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 15 October 2019.

10. SGM

The SGM will be held on Friday, 18 October 2019, at 11:00 a.m. at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong, during which an ordinary resolution approving the Framework Services Agreement and the transaction contemplated thereunder (including the Annual Caps) will be proposed on a vote to be taken by way of poll pursuant to Rule 13.39(4) of the Listing Rules. As at the Latest Practicable Date, Oceanwide Holdings International and its associates, in aggregate holding 12,098,515,178 Shares, representing approximately 74.95% of the issued share capital of the Company, shall abstain from voting on the resolution to be proposed at the SGM to approve the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps). To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, as at the Latest Practicable Date, except for Oceanwide Holdings International and its associates, none of the other Shareholders will be required to abstain from voting at the SGM to approve the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps).

A form of proxy for use at the SGM is enclosed. You are advised to read the notice and to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be)). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish.

11. RECOMMENDATIONS

The Board (including the Independent Board Committee, whose views are set out in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) is of the opinion that the securities trading, fund investment and asset management services transactions are in the ordinary and usual course of business of the Group, the terms of the Framework Services Agreement and the transactions contemplated thereunder (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 contemplated thereunder (including the Annual Caps) is in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Board (including the Independent Board Committee) recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps).

Your attention is drawn to the recommendation of the Independent Board Committee as set out on page 22 of this circular and the letter from the Independent Financial Adviser as set out on pages 23 to 48 of this circular.

Your attention is drawn to the information set out elsewhere in this circular (including, in particular, the sections headed “2. Principal Terms of the Framework Services Agreement”, “3. Payment and Pricing of the Transactions”, “4. Reasons For and Benefits of Entering Into the Framework Services Agreement”, “5. Historical Transaction Amounts, Annual Caps and Basis” and “7. Listing Rules Implications”, whereby the related disclosures have been updated since the announcement of the Company issued on 30 August 2019) and in the appendix to it.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中泛控股有限公司

CHINA OCEANWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 715)

30 September 2019

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS FRAMEWORK SERVICES AGREEMENT

I refer to the circular dated 30 September 2019 issued by the Company (the “**Circular**”) to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

The Independent Board Committee has been established to advise the Independent Shareholders as to whether, in its opinion, the terms of the Framework Services Agreement and the transactions contemplated thereunder (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 Company and the Shareholders as a whole. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

I wish to draw your attention to the letter from the Board as set out on pages 4 to 21 of the Circular and the letter from the Independent Financial Adviser as set out on pages 23 to 48 of the Circular, which contains advice in respect of the entering into of the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps).

Having considered the terms of the Framework Services Agreement and the advice of the Independent Financial Adviser, I consider that the securities trading, fund investment and asset management services transactions are in the ordinary and usual course of business of the Group, and the terms of the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. I therefore recommend you to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,

The Independent Board Committee
YAN Fashan

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



SOMERLEY CAPITAL LIMITED

20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 September 2019

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE FRAMEWORK SERVICES AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the terms of the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps). Details of the Framework Services Agreement are contained in the circular to the Shareholders dated 30 September 2019 (the "**Circular**"), of which this letter forms a part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

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, on an aggregate basis, is more than HK\$10,000,000, the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps) 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 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 and the transactions contemplated thereunder (including the Annual Caps), on a vote to be taken by way of poll. Oceanwide Holdings International and its associates shall abstain from voting on the ordinary resolution to be proposed at the SGM.

Each of Mr. LIU Jipeng and Mr. LO Wa 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 and the transactions contemplated thereunder (including the Annual Caps).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Consequently, the Independent Board Committee comprising one member only, namely Mr. YAN Fashan, being an independent non-executive Director, has been established to advise the Independent Shareholders as to whether the terms of the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Somerley, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years, we have acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in relation to the Existing Framework Services Agreement, details of which are set out in the circular of the Company dated 31 October 2017. Under the past engagement above, we received normal professional fees from the Company. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley and (b) the Group, CTIFL Group and their respective subsidiaries and associates that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser.

In formulating our opinion, we have reviewed, amongst others, the Framework Services Agreement, the annual report of the Company for the year ended 31 December 2018, the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”), and other information contained in the Circular. We have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Group and have assumed that such information, facts and opinions provided to us are true, accurate and complete in all material aspects and will remain so up to the time of the SGM. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been omitted or withheld from us, or to doubt the truth, accuracy or completeness of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to reach an informed view. We have, however, not conducted any independent investigation into the business, affairs and financial position of the Group or CTIFL Group, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps), we have taken into account the principal factors and reasons set out below:

1. Information on the Group and CTIFL Group

The Group

The Group is principally engaged in property investments in the PRC, real estate development in the US, development in the energy sector in Indonesia, as well as finance investment. Since 2015, the Group has committed itself in various overseas endeavours

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

including various real estate projects in the US and a power plant project in Indonesia. Over the years, the Group has developed itself into an international conglomerate, with a market capitalisation of approximately HK\$5.8 billion as at the Latest Practicable Date.

The scale of the Group's assets continued to grow in recent years, mainly as a result of the investments in the real estate projects and power plant project as mentioned above. Set out below is a summary of the major projects, as extracted from the 2019 Interim Report:

Name	Details	Current status	Funds invested as at 30 June 2019 <i>US\$ million</i>
<i>Real Estate Development</i>			
Los Angeles Project	Upscale condominiums, a luxury five-star hotel and a shopping mall	Construction works for all main structures were completed; electrical and mechanical works are progressing	1,110.4
New York Project	Mixed-use complex comprising high-end hotel and residential units	Preliminary planning stage	405.4
Hawaii Ko Olina No.1 Land Project	Luxury resort with luxury residences and a hotel	Preliminary planning stage	297.5
Hawaii Ko Olina No.2 Land Project	Two luxury branded hotels and residential condominiums	Preliminary planning stage	211.7
Hawaii Kapolei Project	Commercial, residential properties and community facilities	Preliminary planning stage	123.7
<i>Energy</i>			
Medan Project	Two coal fuel steam power plants (with a net capacity of 150 megawatt each)	Foundation and structural construction were completed and installation works are progressing	362.0
Total			2,510.7 (or approximately <u>HK\$19.7 billion</u>)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2019, the Group's total assets of approximately HK\$24.7 billion mainly included properties under development of approximately HK\$15.2 billion, investment properties of approximately HK\$4.9 billion, and properties, plant and equipment of approximately HK\$2.9 billion (mainly relating to the Medan Project). As set out in the 2019 Interim Report, the signing of lease contracts for the commercial portion of the Los Angeles Project has begun and a number of letters of intent to lease were received from large and medium enterprises. Further, except for the Los Angeles Project which are currently under construction, the other real estate projects in the US are still in the stage of preliminary planning.

As stated in the 2019 Interim Report, the Group's capital expenditure is increasing amid business expansion, the management of the Group will take the maintenance of sufficient capital reserves as its first priority, and funds will be raised through shareholder or third party loans, as well as various debt and equity financing alternatives. The capital expenditures and commitments of the Group amounted to approximately HK\$5,337.5 million as at 30 June 2019.

CTIFL Group

CTIFL Group is principally engaged in, among others, (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; and (iii) fund management, discretionary portfolio management and portfolio management advisory services. Shares of CTIFL are listed on the Main Board of the Stock Exchange (Stock Code: 952), and CTIFL had a market capitalisation of approximately HK\$2.7 billion as at the Latest Practicable Date. As at 30 June 2019, CTIFL Group has total assets of approximately HK\$9.9 billion and total equity of approximately HK\$5.8 billion.

2. Background to and reasons for entering into the Framework Services Agreement

Given the capital-intensive nature of its real estate and energy projects, the Group has been seeking financing for the continuous development and construction of the projects and such financing exercises are expected to continue in the coming years. Following approval of the Existing Framework Services Agreement by the independent shareholders of the Company and CTIFL in November 2017, CTIFL Group has provided and extended several short-term and unsecured loans to the Company, in an aggregate principal amount of HK\$293.0 million as at 30 June 2019. In addition, the Group has completed the issuance of the Convertible Notes in December 2018 in an aggregate principal amount of HK\$600.0 million (the "**CN Issuance**"), in which a member of CTIFL Group acted as one of the joint global coordinators, joint bookrunners and joint lead managers. As set out in the Company's 2018 annual report and the 2019 Interim Report, the Group has raised net financing proceeds of approximately HK\$4.1 billion in 2018 and HK\$1.3 billion in the first half of 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notwithstanding the above, as at 30 June 2019, the Group had capital expenditures and commitments of approximately HK\$5,337.5 million, according to the 2019 Interim Report. As at 30 June 2019, the Group had total unsecured and unrestricted cash, liquid funds and listed investments of approximately HK\$96.8 million and the undrawn facilities (including those available from COGL) of approximately HK\$3,811.4 million. At the same time, it had bank and other loans of approximately HK\$6,190.8 million, and an amount due to COGL of approximately HK\$5,566.8 million. As stated in the 2019 Interim Report, the Directors have been implementing various measures to improve the Group's financial position and alleviate the liquidity pressures, including negotiations with banks and financial institutions to renew or extend the existing facilities, and seeking other alternative financing and bank borrowings to finance the settlement of existing financial obligations and future operating and capital expenditures.

As CTIFL Group, which specialises in financial services, including margin financing and money lending services, corporate financial advisory and asset management services, is more familiar with the Group's business operation, capital structure and financing needs, therefore it is able to provide the Group with more appropriate, effective and flexible services when compared with independent commercial banks in Hong Kong, according to the management of the Group. In addition, the investment funds managed by CTIFL Group may serve as one of the investment options for the Group, and the provision of corporate support services by the Group to CTIFL Group represents a potential source of additional revenue for the Group. In view of the above, we concur with the Directors that synergies could be realised in terms of convenience, support and marketing through conducting the Transactions, and that a beneficial long-term business collaboration between the Group and CTIFL Group could be developed.

In view of the expiry of the Existing Framework Services Agreement on 31 December 2019 and the reasons set out above, the Framework Services Agreement has been entered into on 30 August 2019 for a term of three years, starting from 1 January 2020 and ending on 31 December 2022, to govern and continue various financial advisory and corporate support services, investment and lending transactions with each other.

3. The Framework Services Agreement

Set out below is a summary of the principal terms for the Framework Services Agreement. Independent Shareholders are advised to read further details of the Framework Services Agreement as disclosed in the letter from the Board.

Nature of the Transactions

There are two categories of transactions contemplated under the Framework Services Agreement, namely (i) the service transactions and (ii) the investment, lending and underwriting transactions. The table below summaries the nature and descriptions of the Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The service transactions provided by CTIFL Group to the Group

Corporate finance services	(i) 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
Marketing services	Investor relations services, sharing of financial website information, project management and advertising sale services
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
Asset management services	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)

The service transactions provided by the Group to CTIFL Group

Corporate support services	Business or client referrals in relation to corporate finance business of CTIFL Group
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The investment transactions conducted by the Group

Fund investment	The Group investing into investment funds managed by CTIFL Group
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The lending and underwriting transactions provided by CTIFL Group to the Group

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
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LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Hard underwriting

CTIFL Group (as underwriter) hard underwriting for fundraising (including the issue of securities and financial products, rights issue and placing) by the Group (as issuer)

The management of the Group has confirmed that the Transactions between the Group and CTIFL Group are not exclusive in nature, meaning the Group is entirely free to choose its partners for the transactions similar to the above and has no obligation under the Framework Services Agreement to engage members of CTIFL Group for any particular Transactions. Further, the provision of the service transactions by CTIFL Group to the Group will be subject to the selection process and/or other approvals pursuant to the internal procedures and control policies (as described below). The Group shall only engage members of CTIFL Group for any such service if, in the opinion of the Group, the terms and conditions of such service are acceptable to the Group and considered in the interest of the Group.

The Group and CTIFL Group shall from time to time enter into specific agreements for a particular Transaction, which shall follow the Group's pricing standards applicable to independent third parties (as further described below).

Term

The Framework Services Agreement shall be for a term of three years commencing on 1 January 2020 and ending on 31 December 2022, subject to the following Conditions Precedent: (i) the Company and CTIFL obtaining approval from their respective independent shareholders in relation to the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps); and (ii) the Company and CTIFL obtaining other consents and approvals required in accordance with the applicable laws and regulations.

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

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing and payment policies

The relevant fees with respect to each Transaction shall be determined with reference to, among other things: (a) the Group's internal policy which is applicable to all business partners; (b) fees for historical services/transactions of similar nature (if any) and the then prevailing market rates for each type of services/transactions; (c) scale of the relevant services/transactions; (d) resources estimated to be spent on providing/receiving the relevant services/transactions; (e) fees 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/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, the prevailing market condition and the financial position of the Group at the time of the fundraising.

As set out in the letter from the Board, the payment for all the service transactions will be settled in cash. Details of the pricing basis for each category of the Transactions are set out in the section headed "Payment and pricing of the Transactions" in the letter from the Board, and a summary of which are set out below:

Corporate finance
services

Fundraising

The fees will be determined with reference to the financing structure and the type of securities issued, size of the fundraising, expected sales and/or structuring work, issue price and the then prevailing market rates for comparable transactions. The fees are normally set at 1% of the fundraising size

Merger and acquisition services

The fees may consist of a retainer fee/deposit and a success fee in relation to the relevant transaction. The success fee generally ranges from 1% to 5% of the enterprise valuation for that relevant transaction, and % of which is determined with reference to, among others, the scope of service, the size of transaction and the complexity of transaction structure

Commercial or financial advisory services

The fees will be determined with reference to the scale, nature and scope of services, complexity and timing of services/transactions, and the fees for comparable historical transactions with independent third parties

Marketing services

The fees will be determined with reference to the type, scope and duration of services and the fees for comparable transactions with independent third parties

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Financial assistance,
securities trading and
financing

Financial assistance (not including margin financing)

The terms will be based on normal commercial terms, with interest rates determined with reference to the market rates for the relevant tenure, size of the financing or loans, the loan terms (including quality of any collaterals and/or type of guarantee (if any)), the credit risk evaluation and the prevailing market conditions

As confirmed by the management of the Group, in general, the term of the financial assistance provided by CTIFL Group to the Group under the Framework Services Agreement will not exceed three years

Margin financing

The terms will be determined with reference to the standard reference interest rates of different tiers of stock collaterals, the risks and loan amount

Securities trading

The fees will be based on the consideration of the traded securities and range from 0.005% to 2.75%, depending on the stock exchange on which the securities are traded. For the securities traded in Hong Kong, the commission rate generally ranges from 0.08% to 0.25%, determined with reference to, among others, the prevailing commission rate charged by the major securities brokerage companies in Hong Kong and the trading volume of the underlying transaction

Asset management
services

The fees will be determined with reference to the size, structure, service scope and investment mandate of the assets and the fees for comparable transactions in the market at that time. Annual management fees range from 0.2% to 2% of the value of the assets under management. Annual performance fees will be charged at a rate not more than 20% of the annual return on assets

The service transactions provided by the Group to CTIFL Group

Corporate support
services

The referral fees will be determined with reference to the rates for client referrals of similar services/transactions after apportionment with independent third parties. Referral fees in relation to corporate finance advisory services will range from 10% to 20% of the fees from the client

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The investment transactions conducted by the Group

Fund investment	For the management and performance fees, please refer to the pricing policies relating to asset and fund management services under the service transactions as mentioned above
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The lending and underwriting transactions provided by CTIFL Group to the Group

Financial assistance	For the fees, please refer to the pricing policies relating to financial assistance, securities trading and financing under the service transactions as mentioned above
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Hard underwriting	For the fees, please refer to the pricing policies relating to corporate finance services under the service transactions as mentioned above
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Assessment of the pricing basis of the Transactions

As set out in the letter from the Board, the pricing basis of the Transactions will follow the Group's pricing standards applicable to transactions with independent third parties. The Transactions shall be entered into on normal commercial terms and the fees will be charged/paid at rates no less favourable to the Group than rates at which the Group charged/paid to independent third parties for comparable transactions.

Corporate finance and hard underwriting services

In respect of corporate finance and hard underwriting services, based on our discussions with the management of the Group, the fees may vary from case to case, depending on the individual specifications as agreed between the parties. The management of the Group understands from CTIFL Group that the pricing basis for corporate finance and hard underwriting services are broadly and consistently applied to the Group and other clients of CTIFL Group.

We note that in December 2018, the Group engaged CTIFL Group and Haitong International Securities Company Limited, being a third party independent of the Company, as joint advisers for the CN Issuance. We have discussed with the management of the Group and reviewed the engagement terms between the Group and these two advisers, and note that the terms, including the pricing and payment terms, were identical to each other, and in line with the pricing basis as set out above. As a further check, we have researched on the commission rates charged by placing agents in the market and have, on a best effort basis, identified 21 placing exercises conducted Hong Kong listed companies in the past three months and up to the Latest Practicable Date (the "**Comparable Fundraising Transactions**"). We consider the Comparable Fundraising Transactions, as reviewed by us, to be fair, representative and exhaustive, according to our research based on the above criteria. On the basis of our research, the placing commission rates for the

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Comparable Fundraising Transactions ranged from 0.5% to 4%, while the normal fee rate, being 1%, for the fundraising transaction under the Framework Services Agreement falls within, and towards the low end of, such market fee range.

Separately, CTIFL Group informed the Group that the success fee range of 1% to 5% is generally applicable to all its merger and acquisition advisory engagements and in line with the prevailing market practices, and has confirmed to the Group that the success fee rates of all merger and acquisition engagements that CTIFL Group undertaken between 2017 and the Latest Practicable Date were within the range of 1% to 5%. We have obtained sample agreements in relation to the merger and acquisition advisory services rendered by CTIFL Group to its clients, and note that the relevant success fee rate fall within the above normal success fee range. The pricing terms of merger and acquisition advisory services in the market are not generally made available to the public, and we understand that the success fee is typically determined on a case-by-case basis, depending on various factors, such as the nature, size and complexity of the transactions. As such, a precise view on the range of success fee is not possible, and details of the mergers and acquisitions to be undertaken by the Group will only be known in future.

Shareholders should bear in mind that the above general fee rates for various corporate finance advisory services, such as the 1% fundraising fee rate and the 1% to 5% merger and acquisition advisory success fee rates, are for indicative purposes only. In any event, the engagement of CTIFL Group will be subject to selection process, and detailed pricing and other terms shall be subject to negotiations between the parties and internal control procedures, including the approval by independent non-executive Directors or a special connected transaction committee under certain circumstances, as summarised in the section headed "Internal control procedures".

Financial assistance (including margin financing)

In respect of financial assistance (including margin financing), the loans from CTIFL Group to the Group are to be conducted based on normal commercial terms, and the interest rates shall be determined by the parties at the time when the loans are made, in accordance with the pricing basis set out above. Details of the future terms of the loan would be subject to different factors including (i) size and duration of the loan, (ii) other terms and conditions of the loan including availability and choice of securities, (iii) the then financial position of the Group, and (iv) the then market conditions in general. Accordingly, the relevant interest rate of any loans from CTIFL Group can only be determined at the time when the individual loan is being advanced or renewed.

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We have reviewed, and discussed with management of the Group, the terms of existing loans advanced by CTIFL Group to the Group (the “**Existing CTIFL Loans**”), and note that such loans are unsecured, with a term ranging from 3 months to one year and bearing an interest rate ranging from 9% to 12% per annum. The management of the Group informed us that the Group has not taken out and received any offer letter in relation to, any unsecured and unguaranteed borrowings from independent financial institutions in the past three years, and that the terms of the Existing CTIFL Loans, including interest rates, were negotiated between two groups, after taking into account, among others, the overall financing costs of the Group’s external borrowings at that time when the loans are advanced and/or renewed.

As mentioned above, the financial assistance from CTIFL Group to the Group will be normally for a term within three years. In this connection, we have obtained the profile of the Group’s loans within the same duration as at 31 August 2019, and note that all these loans, excluding those from COGL and CTIFL Group, are secured and denominated in US dollar, and bear an interest rate ranging from 3.6% to 13.5% per annum, with a weighted average effective interest rate of approximately 11.3% per annum. We note that the interest rates of the unsecured Existing CTIFL Loans between 9% to 12% are within the range of interest rates being charged by independent third parties.

Securities trading

In respect of securities trading, we understand from the management of the Group that the fee range of 0.005% to 2.75% are largely in line with the historical fees or commission rates charged by independent financial institutions or securities houses to the Group, in relation to securities traded in and outside Hong Kong. We have obtained sample transaction statements between CTIFL Group for the securities traded in Hong Kong, and the Group, and the commission fee rates recently quoted by two independent financial institutions to the Group. We note that the historical commission fees charged by CTIFL Group are generally comparable to those quoted by independent financial institutions, and within the pricing basis set out in above section.

Asset management services

In respect of asset management services (mainly for the Group’s investment in any funds managed by CTIFL Group), we are given to understand that the annual management and performance fees charged by CTIFL Group for a particular fund are the same for all investors under a particular class of the fund, including the Group and independent investors. We have obtained a portfolio supplement for an existing fund managed by CTIFL Group, and are advised that the annual management and performance fees as disclosed in such supplement are consistent with the pricing basis as set out in the table of pricing policy above, and applicable to all investors under a particular class of such fund. Unlike brokerage commission rates, we consider a comparison between fees charged by CTIFL Group for a particular fund with the range of fees charged by independent fund houses to be less relevant, as such fees vary depending on the type of fund, type of fund investments, size of the fund, etc. For fund management services, we consider comparing the fees charged by CTIFL Group to independent investors and the Group to be more meaningful in establishing whether the relevant fees charged to the Group are no less

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favourable to the Group than those applicable to independent investors. On top of ensuring the fees are at arm's length level, the Group will also determine whether a particular fund managed by CTIFL Group is a suitable investment by looking at the Group's position, investment criteria and detailed terms of the particular fund, as detailed in the section headed "Internal control procedures".

Corporate support services

In respect of corporate support services, the commission rate for client referrals to be received by the Group ranges from 10% to 20% under the Framework Services Agreement, a lower percentage range when compared to 10% to 40% under the Existing Framework Services Agreement. As advised by the management of the Group, the commission rate depends on the Group's involvement in the corporate support services. For example, the mere introduction of client with no other work typically results in a 10% commission rate, while the combination of introduction, participation in meeting arrangements and general coordination throughout the project would typically result in a higher commission rate. A lower commission range of 10% to 20% (instead of the existing range of 10% to 40%) has been set for the Framework Services Agreement because the Group intends to focus resources and efforts on its core business (i.e. real estate and energy projects) and limit the extent of participation in corporate support services, so a lower commission range is justified.

Moreover, as advised by the management of the Group, the same range of commission rates is applicable to client referrals between CTIFL Group, its employees and independent third parties. The pricing terms of client referrals in the market are not generally publicly available and the relevant fees payable are normally determined by the parties on a case-by-case basis, depending on the extent of work performed. Based on our independent research, we note that Shenwan Hongyuan (H.K.) Limited (Stock code: 218) and Southwest Securities International Securities Limited (Stock code: 812) recently published announcements in relation to client referral services to be conducted with their respective connected persons, and commission rates for client referrals relating to corporate finance business ranges from 8% to 50%. Taking into account the Group's involvement in the client referral for corporate finance business of CTIFL Group, we are of the view that the commission rates of 10% to 20% applicable under the Framework Services Agreement are in line with market practice.

As confirmed by the management of the Group, no marketing service transaction has been conducted between the Group and CTIFL Group in the past. We understand that, in general, the fees for any future market service transaction will be determined through arm's length negotiations by the parties with reference to the individual specifications for each of the Transactions and will also be subject to internal control procedures, including the comparison of fee quotations and the internal approval process as further detailed below.

Having considered the above, we concur with the Directors that the Transactions will be conducted on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

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4. Internal control procedures

The Group has put in place internal procedures and control policies to ensure that 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. In our view, effective internal control procedures applicable to connected transactions should, on top of other general merits of internal controls, preclude the involvement of the connected person's representatives in the listed issuer's decision making process, but include elements including the comparison of proposed terms from the connected person with those from independent third parties, and involvement of independent non-executive directors in more significant transactions and for regular reporting purposes.

A summary of the relevant internal control procedures is set out below, and for further details, please refer to the section headed "Internal control procedures" in the letter from the Board.

Service transactions

When there is a need from the Group for corporate finance, marketing or securities trading services on a transaction or project, the investment management department will seek quotations from at least two independent service providers in the industry, based on the proposed terms of the relevant services. The investment management department will then prepare a summary report setting out, among others, the fee quotations, scope of services, ability to meet the transaction requirements, and the capability and reputation in the industry, and submit the same to the head of legal, risk management and company secretarial departments, the chief financial officer of the Group (the "CFO") and the executive Directors and the Board (in the event that the transaction requires an announcement to be published by the Company under the Listing Rules) for approval.

According to the management of the Group, the Group would consider a broad set of factors and selection criteria in choosing service providers, with reference to the summary report prepared by its investment management department and the past performance of the relevant service providers. Further, in the event that it is not reasonably practicable to obtain additional third party quotation in circumstances where (i) only limited service providers are available for the relevant services; (ii) the service transaction amount is HK\$500,000 or less, which is considered as a small sum; or (iii) where no quotation is submitted by other third parties despite invitation(s) for quotation being made, the Group may invite CTIFL Group for a quotation alone. In such circumstance, prices and contract terms of such service/transaction would be negotiated on an arm's length basis between the Group and CTIFL Group based on a combination of factors including industry experience, similar services carried out in the past, and industry/market knowledge, to ensure that the prices and terms of such services/transactions are no less favourable than the that offered by an independent service provider for other similar services/transactions. While items (i) and (iii) above relate to circumstances not under the control of the Group, for circumstances described in item (ii) above where the service transaction amount is HK\$500,000 or less, the amount is considered relatively insignificant compared to the scale of operation of the Group. Where such transaction amount exceeds HK\$500,000,

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approval by independent non-executive Directors (excluding those also acting a director of CTIFL Group) or a special connected transaction committee (as discussed below) would be required.

Corporate support services

When there is a potential customer seeking for corporate finance services, the investment management department would negotiate with CTIFL Group the terms and conditions of the agreement. The legal department will prepare a formal individual agreement to be entered into by the parties. The individual referral agreement will then be approved by the risk management and company secretarial departments, legal counsel, the CFO, the executive Directors and the Board (in the event that the transaction requires an announcement to be published by the Company under the Listing Rules).

On a monthly basis, members of CTIFL Group will provide statements regarding the monthly transaction summary of the referred clients. The finance department will check the calculation of the referral service fee with CTIFL Group, based on the monthly transaction summary, to ensure accuracy of the fee entitlement. As advised by the management of the Group, the Group did not have any similar referral arrangement with other parties in the past.

Investment transactions

The finance department would evaluate the funding required for various projects of the Group, based on the latest cash flow projections prepared internally and level of surplus cash from time to time, and discuss the cash management strategy with the investment management department. Provided that certain funds are available for investments, the investment management department will identify at least two independent potential investment alternatives, including fund investment, debt and/or equity investments, and summarise the findings and recommendations in a report. The investment management department will evaluate the potential investment alternatives and make its recommendation, based on the criteria including expected rate-of-return, risk associated and any lock-up period requirement. The report would then be submitted to the legal, risk management and company secretarial departments, the CFO and the executive Directors and the Board (in the event that the transaction requires an announcement to be published by the Company under the Listing Rules) for approval.

The finance department will monitor the level of the Group's cash reserves and financial resources as well as funding needs before engaging in the investment transactions. It will report the performance of the funds invested (i) to the risk management department of the Group and the Board on a monthly basis, and (ii) to the audit committee under the Board, which is comprised of the independent non-executive Directors, on a semi-annual basis.

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Based on our discussions with the management of the Group, if the Group wishes to make any fund investment, the Group will consider not only investment funds managed by CTIFL Group, but also other funds available in the market. The considerations include, among others, the historical fund performance, market liquidity, redemption option, pricing and whether a proper custodian or trustee arrangement is put in place. An independent custodian or trustee arrangement is required for any selected investments to be made by the Group, either managed by CTIFL Group or other third parties. In our view, the above requirement provides relevant protection to the Group to ensure that the safety, independence and integrity of the funds invested by Group are safeguarded by independent professionals.

To avoid the possibility of over-concentration, the Group has set an additional measure such that the amount to be subscribed by the Group in the funds managed by CTIFL Group will not be greater than 20% of the Group's total unsecured and unrestricted cash, liquid funds and listed investments (the "**Liquid Funds**"), based on the consolidated management accounts of the Group in the preceding month. Monitoring will be in place, on a monthly basis or whenever an additional investment is to be made, to ensure the above limit is not exceeded.

Lending transactions

The finance department monitors the Group's funding needs, with reference to the latest cash flow projections of the Group. When there is a need for financing, the finance department would discuss the funding amount and expected funding timing with the investment management department. The investment management department will consider all financing alternatives available to the Group, including debt financing (for example, loans from financial institutions and issuance of corporate bonds and convertible notes) and equity financing (for example rights issue and share placement), and approach at least two independent financial institutions and potential investors to discuss the terms and conditions of the relevant financing, and seek approval from the legal, risk management and company secretarial departments, the CFO and the executive Directors and the Board (in the event that the transaction requires an announcement to be published by the Company under the Listing Rules).

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In addition to the above specific internal control measures, any individual transaction contemplated under the Framework Services Agreement with an amount exceeding HK\$500,000 shall be approved by the independent non-executive Directors (excluding those also acting a director of CTIFL Group), after taking into consideration whether the individual transaction contemplated under the Framework Services Agreement is fair and reasonable, conducted on normal commercial terms or better, and is not prejudicial to the interests of the Company and the minority Shareholders. We consider the threshold of HK\$500,000 to be prudent given the substantial scale of business of the Group. In the event the independent non-executive Directors cannot form an unanimous view among themselves, such individual transaction shall be presented to the special connected transaction committee comprising one executive Director/non-executive Director and all independent non-executive Directors (excluding those also acting a director of CTIFL Group). The majority approval of such committee shall be final.

We have obtained the relevant internal control documentations, and understand from the management of the Group that no common staff, senior management or directors of the Group or CTIFL Group has been and will be involved in the internal control procedures for the Transactions, and that the relevant internal control procedures have been and will continue to be followed.

Having considered the above internal control procedures adopted by the Group, particularly (i) the preclusion of the Group's controlling shareholders and its associates (including CTIFL Group) in its decision process, which allows an independent decision to be made by the Group for its own interest, (ii) the comparison of proposed terms from CTIFL Group with terms from independent third parties, to ensure that such terms are no less favourable to the Group than those applicable to independent third parties, and (iii) the involvement of independent non-executive Directors, who look after interests of the Independent Shareholders, in more significant transactions (i.e. particularly the requirements for the independent non-executive Directors approving the terms for the individual transaction contemplated under the Framework Services Agreement with an amount exceeding HK\$500,000 as mentioned above), we concur with the Directors that suitable means are in place to ensure the Transactions are on normal commercial terms, and that the fees will be no less favourable to the Group than those charged by independent third parties.

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5. The Annual Caps

Review of historical transactions

Set out below are the historical transaction amounts, the relevant annual caps and related utilisation under the Existing Framework Services Agreement for the two years ended 31 December 2018 and for the six months ended 30 June 2019:

	For the year ended 31 December		For the six months ended 30 June
	2017	2018	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Income for services provided to			
CTIFL Group	0.5	–	–
Relevant annual caps	0.5	5.0	5.0
Utilisation rate	100%	0%	0%
Expenses for services provided by			
CTIFL Group (including interest			
expenses to CTIFL Group arising			
from the lending transactions)	0.6	20.9	12.3
Relevant annual caps	6.5	65.0	65.0
Utilisation rate	9.2%	32.2%	18.9%
Maximum daily investment amount			
for fund investment to CTIFL			
Group	–	–	–
Relevant annual caps	100.0	200.0	200.0
Utilisation rate	0%	0%	0%
Maximum daily amount/outstanding			
balance for financial assistance			
(loop principal) provided by CTIFL			
Group	280.0	288.0	293.0
Relevant annual caps	300.0	300.0	300.0
Utilisation rate	93.3%	96.0%	97.7%
Maximum daily amount/outstanding			
balance for underwriting provided			
by CTIFL Group	–	–	–
Relevant annual caps	–	200.0	200.0
Utilisation rate	–	0%	0%

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As shown in the above table, except for a small amount of referral fee income recorded in 2017, the Group did not record any income arising from the client referrals under the Existing Framework Services Agreement in 2018 and in the first half of 2019, as the Group was not aware of any potential customers seeking for the services offered by CTIFL Group during these periods.

The expenses for services provided by CTIFL Group during the periods presented above represent (i) interest charged on the loans advanced to the Group and (ii) fees paid for financial advisory services in relation to the CN Issuance. When determining the existing annual caps relating to expenses for service transactions, it was previously assumed that the Group would engage CTIFL Group as a placing agent for debt and/or equity financing transactions during the term of the Existing Framework Services Agreement. However, as advised by the management of the Group, the Group has been procuring alternative financing channels to fund its projects, and it has mainly utilised the loan facilities granted by COGL, the loans advanced by licensed banks in Hong Kong and the proceeds from the CN issuance in the past two years. As a result, there was no large-scale debt and/or equity placing exercises conducted, which in turn resulted in limited financial advisory fees incurred and low utilisation rates for the existing annual caps.

As advised by the management of the Group, there was no investment made in the funds managed by CTIFL Group in the past two years, as it was the Group's intention to focus resources on the development of certain projects, and the existing funds managed by CTIFL Group do not meet the investment criteria of the Group.

In order to ensure the Group's liquidity and adequacy of capital in supporting the progress of its business development, the Group has almost fully utilised the financial assistance provided by CTIFL Group as approved under the Existing Framework Services Agreement. On the other hand, as mentioned above, there was no large-scale debt and/or equity placing exercises conducted by the Group in the past two years, therefore the annual caps relating to underwriting has not been utilised.

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Assessment of the Annual Caps

Set out below are the Annual Caps for each category of the Transactions for the three years ending 31 December 2022:

	Cap amounts for the year ending		
	31 December 2020	31 December 2021	31 December 2022
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Income for services provided to CTIFL Group	0.5	0.5	0.5
Expenses for services provided by CTIFL Group (including interest expenses to CTIFL Group arising from the lending transactions)	98.0	98.0	98.0
Maximum daily investment amount for fund investment to CTIFL Group	60.0	60.0	60.0
Maximum daily amount/outstanding balance for financial assistance (loan principal) provided by CTIFL Group	480.0	480.0	480.0
Maximum daily amount/outstanding balance for underwriting provided by CTIFL Group	120.0	120.0	120.0

As stated in the letter from the Board, 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; (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.

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We understand from the management of the Group that the Annual Caps have been determined, to a considerable extent, with reference to the cash flow forecast of the Group for the three years ending 31 December 2022 (the “**Cash Flow Forecast**”) and the historical transaction amounts for each category of the Transactions. The management of the Group projected the future liquidity and funding needs of the Group, such as the size and timing of fundraising, primarily based on the development plans and timelines of the respective real estate projects and energy projects, and accordingly the Group will source funding through financial institutions (including CTIFL Group) or other investors by way of debts, convertible securities and/or equity when necessary.

When determining the Annual Caps, the management of the Group assumed that the Group would utilise the financial advisory and fundraising services offered by CTIFL Group under the Framework Services Agreement in the coming three years. Notwithstanding the above, as advised by the management of the Group, engagement of service providers for corporate actions, including lending, placing agent services and financial advisory services, are subject to future selection and internal procedures and control policies (as summarised under the section headed “Internal control procedures”).

Income for services provided to CTIFL Group

The cap amounts represent the commission income to the Group arising from the corporate finance services to be provided by CTIFL Group to the clients referred by the Group. As the business and connections continue to develop, the Group would have incentives to explore opportunities and earn additional revenue by referring its corporate clients and/or business partners to CTIFL Group for financial advisory services. We do not consider the relevant cap amounts to be substantial or excessive when compared to the business scale of the Group and the actual utilisation in 2017 as elaborated above.

Expenses for services provided by CTIFL Group

The cap amounts represent various expenses to be paid by the Group for CTIFL Group’s services, which mainly included (i) interest expenses for the financial assistance provided by CTIFL Group and (ii) fund management fees for the Group’s investments in funds managed by CTIFL Group. The cap amounts also include, to a lesser extent, an allowance for financial advisory services to be provided by CTIFL Group to the Group as regards fundraising activities and other potential corporate transactions.

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In assessing the reasonableness of the cap amounts, we have discussed with the management of the Group and reviewed the Cash Flow Forecast. We note that the Group requires a substantial amount of capital to complete its ongoing real estate project in the US, and to refinance its existing indebtedness (excluding loans from COGL) of approximately HK\$5.0 billion as at 31 August 2019, and it has committed capital expenditures of approximately HK\$5.3 billion as at 30 June 2019, in relation to certain property and energy projects. In this connection, according to the management of the Group, during the three years ending 31 December 2022, the Group may engage CTIFL Group for various corporate financial advisory services, such as a placing agent for debt financing and/or equity financing, and continue to utilise the financial assistance from CTIFL Group.

Based on our review of the Cash Flow Forecast, it is assumed that the Group would fully utilise the maximum financial assistance amount (i.e. HK\$480 million) provided by CTIFL Group during the term of the Framework Services Agreement, and the interest expenses are calculated with reference to such maximum financial assistance amount and an assumed interest rate, being determined after taking into account the interest rate of the Existing CTIFL Loans and the future uncertainties, including a potential change in market lending rate and market conditions, which we consider to be reasonable.

It is also assumed that the Group would invest HK\$60 million in funds managed by CTIFL Group, and the annual asset management fee and fund performance fee are calculated with reference to the prevailing rates of a fund currently managed by CTIFL Group that may be considered and invested by the Group in future. In this respect, we have reviewed the historical performance of such fund, and note that it generated returns as high as approximately 70% in a particular year. On this basis, we consider it to be reasonable for the Group to calculate the annual caps in such way to cater for higher possible returns on the funds invested, and thus potential leading to an increased fund management fee.

When determining the cap amounts relating to financial advisory fees, the Company has taken into account the estimated fees payable based on the anticipated size of equity and/or debt financing, the estimated number and size of corporate finance transactions and the fees payable thereto.

In view of the current financial position and future funding needs of the Group as mentioned above, it is justifiable for the Group to make good use of the facility available from CTIFL Group, and for the Group to seek financial advisory services and placing agent services from CTIFL Group in relation to its fundraising activities.

Maximum daily investment amount for fund investment to CTIFL Group

As advised by the management of the Group, the cap amounts of HK\$60 million represents the maximum initial investment amount in the investment funds managed by CTIFL Group. In other words, the subsequent outstanding balance of funds managed by CTIFL Group could be higher than such cap amounts if the funds generate positive returns in the subsequent periods.

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As set out in the section headed “Internal control procedures”, the amount to be subscribed by the Group in the funds managed by CTIFL Group shall not be greater than 20% of the Group's Liquid Funds in the preceding month. According to the management of the Group, such 20% limit is intended to ensure that only a prudent proportion of the Group's liquidity is applied to investment transactions with CTIFL Group. As at 30 June 2019, the Liquid Funds of the Group was approximately HK\$96.8 million, and for illustrative purpose only, the Group would only consider allowing an investment of not more than HK\$19.36 million (i.e. 20% of the Liquid Funds) in the funds managed by CTIFL Group in July 2019 if such investment decision was made. We have reviewed the historical Liquid Funds as set out in the published financial information of the Group in the past two years since 30 June 2017, and note that the Liquid Funds as at each of the past reporting periods ranged from approximately HK\$96.8 million (as at 30 June 2019) to HK\$1,221.4 million (as at 31 December 2017). We are advised by the management of the Group that the low level of the Liquid Funds as at 30 June 2019 was mainly due to the significant amount of payments to contractors for the development of the Los Angeles Project in the US, and that part of the proceeds from future financing are intended to be used by the Group for its finance investment segment, such that the Liquid Funds of the Group is expected to increase in future and the cap amount of HK\$60 million is projected on such assumption.

We are of the view that the 20% limit imposes an additional limit on the Group's investment in funds managed by CTIFL Group, and this is for the purpose of avoiding an excessive balance being applied to investment transactions under the Framework Services Agreement. In addition, the proposed cap amounts of HK\$60 million represented less than 0.5% of the Group's total assets as at 30 June 2019 of approximately HK\$24.7 billion. Having considered the above, we do not consider the cap amounts for the fund investment to be a significant or excessive portion of the Group's total assets.

Maximum daily amount/outstanding balance for financial assistance (loan principal) provided by CTIFL Group

The cap amount of HK\$480 million represents the maximum financial assistance to be offered by CTIFL Group. As at 31 August 2019, the aggregate principal amount of the Existing CTIFL Loans was HK\$293 million, and it means that the Group may potentially seek further financing from CTIFL Group of HK\$187 million, in addition to the Existing Loans. Based on our review of the Cash Flow Forecast and our discussions with the management of the Group, the Group needs to raise additional funds for the settlement of existing financial obligations and future operating and capital expenditures, in the coming three years. The setting of a higher cap amount for the financial assistance provided by CTIFL Group would offer the Group a useful alternative for fundraising activities, and such amount is not considered excessive in view of the total indebtedness of the Group (excluding loans from COGL) of approximately HK\$5.0 billion as at 31 August 2019.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Maximum daily amount/outstanding balance for underwriting provided by CTIFL Group

The cap amounts indicate the underwriting commitment to be undertaken by CTIFL Group for the future debt and/or equity fundraising exercises of the Group for the years ending 31 December 2022. As discussed above and shown in the Cash Flow Forecast, the Group would need a substantial amount of capital for its business development in the coming years. According to the letter from the Board, for the purpose of determining the cap amounts for the underwriting transactions, the management of the Group has assumed that the Group may conduct debt issues (for example, in the form of notes and bonds) of not less than HK\$1 billion in each of the three years ending 31 December 2022, in which case CTIFL Group may be involved to underwrite a portion of such debt issues, being approximately one-tenth of the fund-raising size (with reference to the relevant caps of HK\$120 million). Based on our discussions with the management of the Group, the cap amounts of HK\$120 million are to give the Group flexibility in utilising the potential underwriting services from CTIFL Group, and such services will only be used, when it is in the best interest of the Group and the Shareholders. In our view, having considered the anticipated size of the Group's future financing of not less than HK\$1 billion per year, the cap amount is justifiable and not excessive, and such underwriting arrangement may potentially, to a certain extent, facilities the debt and/or equity financing transactions of the Group.

Our general view

Generally speaking, in our opinion, it is in the interests of the Group and the Shareholders to determine the Annual Caps in a way that can accommodate the potential business growth, investment and financing needs of the Group. In the case of the Transactions, although the relevant annual caps had not been fairly utilised previously, CTIFL Group has been serving as one of the choices for various services, investment and financing arrangements to the Group. Given the Group's stated intention to improve its financial position and alleviate its liquidity pressures, as discussed in the section headed "Background to and reasons for entering into the Framework Services Agreement", there may be opportunities for the Group to seek the relevant services from, and conduct the relevant investment and financing transactions with, CTIFL Group in the near term.

We consider that financing and investment transactions are highly dependent on market sentiments, which can change quickly, as signified by recent volatility in the Hong Kong stock market. In the situation where an attractive and substantial financing or acquisition/investment opportunity from CTIFL is made available to the Group, an adequate set of Annual Caps could prove to be essential, because for an otherwise smaller set of annual caps, there may not be sufficient time for the Group to seek another approval (which may take two months or more) to increase the annual caps before the window of opportunity closes. Provided that the Transactions are subject to appropriate internal controls and annual review by the independent non-executive Directors and auditor of the Company (as summarised below) as required under the Listing Rules, the Group would have desirable flexibility in conducting its business and seeking investment and financing alternatives if the Annual Caps are tailored in that regard. In assessing the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

fairness and reasonableness of the Annual Caps, we have discussed with the management of the Group the factors taken into account as stated earlier in this section. We consider it reasonable for the Company to use the above factors in determining the Annual Caps.

6. Reporting requirements and conditions of the Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Transactions are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Transactions every year and confirm in the Company's annual report whether the Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditor to report on the Transactions every year. The Company's auditor must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Transactions involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and
 - (iv) have exceeded the Annual Caps;
- (c) the Company must allow, and ensure that the counterparties to the Framework Services Agreement allow, the Company's auditor sufficient access to their records for the purpose of reporting on the Transactions as set out in paragraph (b);
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the Company's auditor cannot confirm the matters as required.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Annual Caps and (ii) the ongoing review by the independent non-executive Directors and the Company's auditor of the terms of the Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the Transactions and assist to safeguard the interests of the Independent Shareholders.

OPINION

Having taken into account the above principal factors and reasons, we consider that the securities trading, fund investment and asset management services transactions are in the ordinary and usual course of business of the Group. We further consider that the terms of the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Framework Services Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
John Wong
Director

Mr. John Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Somerley, which is licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

2.1. Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

Name of Director	Capacity	Nature of interests	Number of Shares held	Approximate percentage of shareholding in the Company (%)
Liu Jipeng (劉紀鵬)	Beneficial owner	Personal interest	9,212,000	0.05

Long positions in the shares of the Company's associated corporation*Long positions in the shares of Oceanwide Holdings*

Name of Director	Capacity	Nature of interests	Number of ordinary shares in Oceanwide Holdings held	Approximate percentage of shareholding in Oceanwide Holdings (%)
Han Xiaosheng (韓曉生)	Beneficial owner	Personal Interest	3,500,000	0.06
Liu Bing (劉冰)	Beneficial owner	Personal Interest	90,000	0.001
Liu Hongwei (劉洪偉)	Beneficial owner	Personal Interest	30,000	0.0005
Zhang Xifang (張喜芳)	Beneficial owner	Personal Interest	276,000	0.005
Liu Guosheng (劉國升)	Beneficial owner	Personal Interest	400,000	0.007
Zhao Yingwei (趙英偉)	Beneficial owner	Personal interest	200,000	0.003

Save as disclosed above, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at the Latest Practicable Date.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

2.2. Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

So far as is known to the Directors, as at the Latest Practicable Date, other than the Directors and chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in the Shares or underlying Shares

Name	Capacity	Number of Shares held	Approximate percentage of shareholding in the Company (%)
Lu Zhiqiang (盧志強)	Interest of controlled corporations	12,098,515,178 (Note 1)	74.95
Huang Qiongzi (黃瓊姿)	Interest of controlled corporations	12,098,515,178 (Note 1)	74.95
Tohigh Holdings Co., Ltd.* (通海控股有限公司)	Interest of controlled corporations	12,098,515,178 (Note 2)	74.95
Oceanwide Group Co., Ltd.* (泛海集團有限公司)	Interest of controlled corporations	12,098,515,178 (Note 3)	74.95
China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Interest of controlled corporations	12,098,515,178 (Note 4)	74.95
Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司)	Interest of controlled corporations	12,098,515,178 (Note 5)	74.95
China Oceanwide Group Limited (中泛集團有限公司)	Interest of controlled corporations	12,098,515,178 (Note 5)	74.95
Oceanwide Holdings International Co., Ltd. (泛海控股國際有限公司)	Beneficial owner	11,267,476,178 (Note 5)	69.80

Name	Capacity	Number of Shares held	Approximate percentage of shareholding in the Company (%)
Haitong Securities Co., Ltd. (海通證券股份有限公司)	Interests of controlled corporations	10,245,856,608 (Note 6)	63.47
Haitong International Holdings Limited (海通國際控股有限公司)	Interest of controlled corporations	10,245,856,608 (Note 7)	63.47
Haitong International Securities Group Limited (海通國際證券集團有限公司)	Interest of controlled corporations	10,245,856,608 (Note 8)	63.47
Haitong International Financial Products (Singapore) Pte. Ltd.	Security interest in Shares	9,414,817,108 (Note 8)	58.32
Haitong International Financial Products Limited (海通國際金融產品有限公司)	Beneficial owner	830,985,500 (Note 8)	5.15

Notes:

- Mr. Lu Zhiqiang and Ms. Huang Qiongzi (spouse of Mr. Lu Zhiqiang) together hold more than one-third of the voting power at general meetings of Tohigh Holdings Co., Ltd.* (通海控股有限公司). By virtue of the SFO, Mr. Lu Zhiqiang and Ms. Huang Qiongzi are deemed to be interested in all the Shares in which Tohigh Holdings Co., Ltd.* (通海控股有限公司) is interested.
- Tohigh Holdings Co., Ltd.* (通海控股有限公司) holds 100% equity interest in Oceanwide Group Co., Ltd.* (泛海集團有限公司). By virtue of the SFO, Tohigh Holdings Co., Ltd.* (通海控股有限公司) is deemed to be interested in all the Shares in which Oceanwide Group Co., Ltd.* (泛海集團有限公司) is interested.
- Oceanwide Group Co., Ltd.* (泛海集團有限公司) holds 98% equity interest in China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司). By virtue of the SFO, Oceanwide Group Co., Ltd.* (泛海集團有限公司) is deemed to be interested in all the Shares in which China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) is interested.
- China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) directly holds 68.49% equity interest in Oceanwide Holdings (泛海控股股份有限公司). By virtue of the SFO, China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) is deemed to be interested in all the Shares in which Oceanwide Holdings (泛海控股股份有限公司) is interested.
- Oceanwide Holdings International Co., Ltd., Oceanwide Holdings International Finance Ltd. and Oceanwide Real Estate International Company Limited are the wholly-owned subsidiaries of China Oceanwide Group Limited (中泛集團有限公司), which in turn is a wholly-owned subsidiary of Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司). By virtue of the SFO, China Oceanwide Group Limited (中泛集團有限公司) and Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司) are deemed to be interested in an aggregate of 12,098,515,178 Shares, including: (i) 11,267,476,178 Shares held by Oceanwide Holdings International Co., Ltd.; (ii) 751,500,000 Shares held by Oceanwide Holdings International Finance Ltd.; and

(iii) 79,539,000 Shares held by Oceanwide Real Estate International Company Limited (泛海建設國際有限公司). Oceanwide Holdings International and Oceanwide Holdings International Finance Ltd. have charged 8,251,197,108 Shares and 751,500,000 Shares respectively in favour of Haitong International Financial Products (Singapore) Pte. Ltd. for a loan facility. Oceanwide Holdings International Co., Ltd. has also charged 3,016,279,070 Shares in favour of China Minsheng Banking Corp., Ltd., Hong Kong Branch in order to secure the obligations of CTIFL, whose shares are listed on the Stock Exchange (Stock Code: 952), a non-wholly owned subsidiary of Oceanwide Holdings Co., Ltd. (泛海控股股份有限公司), under a credit facility.

- (6) Haitong Securities Co., Ltd (海通證券股份有限公司) holds 100% equity interest in Haitong International Holdings Limited (海通國際股份有限公司). By virtue of the SFO, Haitong Securities Co., Ltd (海通證券股份有限公司) is deemed to be interested in all the Shares in which Haitong International Holdings Limited (海通國際股份有限公司) is interested.
- (7) Haitong International Holdings Limited (海通國際控股有限公司) holds 63.59% equity interest in Haitong International Securities Group Limited (海通國際證券集團有限公司). By virtue of the SFO, Haitong International Holdings Limited (海通國際控股有限公司) is deemed to be interested in all the Shares in which Haitong International Securities Group Limited (海通國際證券集團有限公司) is interested.
- (8) Haitong International Financial Products (Singapore) Pte. Ltd. and Haitong International Financial Products Limited (海通國際金融產品有限公司) are the indirect subsidiaries of Haitong International Securities Group Limited (海通國際證券集團有限公司). By virtue of the SFO, Haitong International Securities Group Limited (海通國際證券集團有限公司) is deemed to be interested in (i) 9,414,871,108 Shares in which Haitong International Financial Products (Singapore) Pte. Ltd. has security interest; and (ii) 830,985,500 Shares beneficially owned by Haitong International Financial Products Limited (海通國際金融產品有限公司).

Save as disclosed above, as at the Latest Practicable Date, there was no other person who held interests and/or short positions in the Shares or underlying Shares which was required, to be entered in the register to be kept under section 336 of Part XV of the SFO, or was a substantial shareholder of the Company.

3. COMPETING INTEREST

As at the Latest Practicable Date, the following Directors had interests in the following businesses (apart from the businesses of the Company or its subsidiaries) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company or its subsidiaries conducted during the year required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules:

Name of Director	Name of Company	Nature of Interest	Nature of Competing Business
Han Xiaosheng (韓曉生)	China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Executive Director	Real estate investment
	Oceanwide Holdings (泛海控股)	Chairman of Supervisory Committee	Real estate development and investment

Name of Director	Name of Company	Nature of Interest	Nature of Competing Business
Liu Bing (劉冰)	China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Executive Director	Real estate investment
Liu Hongwei (劉洪偉)	China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Vice President	Real estate investment
Liu Guosheng (劉國升)	Oceanwide Holdings (泛海控股)	Chief Financial Officer	Real estate development and investment
Zhang Xifang (張喜芳)	China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Executive Vice President	Real estate investment
	Oceanwide Holdings (泛海控股)	Director	Real estate development and investment
Zhao Yingwei (趙英偉)	China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司)	Executive Director, Executive Vice President, Chief Financial Officer	Real estate investment
	Oceanwide Holdings (泛海控股)	Vice President of Supervisory Committee	Real estate development and investment

China Oceanwide Holdings Group Co., Ltd.* (中國泛海控股集團有限公司) is a joint stock company established in the PRC with limited liability. It is the controlling shareholder of Oceanwide Holdings (泛海控股) and is principally engaged in a wide range of investment and investment management activities, including investment in science and technology, culture, education, real estate, infrastructure projects, real estate investment, capital management, asset management, hotel and property management; conference and exhibition provision services, rental of commercial properties, office space, property development and investment,

parking, telecommunications, office automation, decoration materials and equipment, and economic, technical, management consulting services relating to the aforementioned businesses.

Oceanwide Holdings (泛海控股) (Stock Code: 000046) is a joint stock company established in the PRC with limited liability, whose shares are listed on the Shenzhen Stock Exchange. It is a conglomerate and is principally engaged in investment and investment management, finance, strategic investment, asset management, real estate business operation and property management, real estate development and investment, self-owned property leasing, corporate management consultation and sale of building materials, decoration materials and mechanical equipment in the PRC, Hong Kong and the US.

As the Board has been operating independently of the boards of directors of the above two entities, the Group has been able to carry on its businesses independently of, and at arm's length from the businesses of the above entities. Further, although the above entities are also engaged in real estate development/investment, no competition is considered to exist among the Group (which focuses on offshore investments) and the above entities (which focuses on onshore investments).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' AND EXPERT'S INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors or expert named in this circular had any direct or indirect interest in any asset which had been, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACTS

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant to the business of the Group.

7. LITIGATION

As at the Latest Practicable Date, save for the litigation involving Oceanwide Plaza LLC, a subsidiary of the Company engaging in a real estate project in Los Angeles, US, as disclosed in the interim report of the Company for the six months ended 30 June 2019, none of the members of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

8. CONSENT AND QUALIFICATION OF EXPERT

(a) The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
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

(b) As at the Latest Practicable Date, Somerley did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.

(d) the letter from Somerley is given as of the date of this circular for incorporation herein.

9. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

10. WORKING CAPITAL

The Directors are of the opinion that, taking into account the business prospects, the internal resources of the Group, facilities available to the Group and the available funds in relation to lending transactions under the Framework Agreement, the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

11. EFFECTS OF THE FRAMEWORK SERVICES AGREEMENT ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE COMPANY

The Company believes that the transactions contemplated under the Framework Services Agreement will not have any material impact on the assets and liabilities of the Group. Nonetheless, the expenses incurred for the services provided by CTIFL Group (including the interest expenses to CTIFL Group arising from the lending transactions), if not eligible for capitalisation, may significantly reduce the profit of the Group.

In addition, the Group expects that it will not develop any reliance on CTIFL in obtaining these services, and the entering into of the Framework Services Agreement will not preclude the Group from entering into similar agreements with other financial institutions when the Group deems it necessary.

12. FINANCIAL AND TRADING PROSPECTS

As mentioned in the Company's interim report for the six months ended 30 June 2019, the Group has developed into an established internationally integrated holding corporation engaging in property investment, real estate development, energy and finance investment and others.

As the Group's capital expenditure is increasing amid business expansion, the management will take the maintenance of sufficient capital reserve as our first priority. Funds will be raised through shareholders or third-party loans, as well as various debt and equity financing alternatives. The Group will strive to monitor the development progress of various projects and to optimise capital structure as well as to reinforce the operation and management of projects in order to control various capital and operation risks that come with business growth. Meanwhile, the management will place further efforts on project control and management, and strictly control capital expenditures and various costs.

Management will closely monitor China's macro economy and policies and signs of changes in the global economy, political landscapes, market environment and competition as well as the impacts they may have on the Group, and corresponding risk management measures, including proper adjustments to allocation of assets and improvements on investment strategies, will be implemented when necessary. By taking advantage of Hong Kong as an international platform for overseas access, the management will look for more profit growth points around the globe, including short-term and long-term investments.

On the premise of capital adequacy, the Group will continue to be cautious and extensively identify investment and business development opportunities for efficient and stable growth. The Group will also actively seek opportunities to optimise its asset allocation, and timely dispose of unprofitable assets in exchange for more profitable business in the short term, with an aim to improving profitability and laying a solid foundation for its future development and is committed to developing existing projects under stringent cost and risk controls. The Group will continue to grow, with an aim of improving long-term returns for the shareholders of the Company.

13. STATEMENT OF INDEBTEDNESS

As at 31 August 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group amounted to approximately HK\$12,121.5 million which comprised (i) bank and other loans of approximately HK\$4,089.6 million, which were secured by pledges of the Group's bank deposits, financial assets at fair value through other comprehensive income, properties under development, properties, plant and equipment, leasehold land and land use rights and investment properties; (ii) other unsecured loans (including loan from an intermediate holding company) of approximately HK\$7,367.7 million; (iii) convertible notes of approximately HK\$571.7 million; and (iv) lease liabilities of approximately HK\$92.5 million.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding debentures issued and outstanding, or authorized or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptance credits, material hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding at the close of business on 31 August 2019, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular.

14. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018 respectively are disclosed in the annual reports of the Company for the years ended 31 December 2016, 2017 and 2018 respectively, which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.oceanwide.hk):

- annual report of the Company for the year ended 31 December 2016 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0331/ltn201703311024.pdf>);
- annual report of the Company for the year ended 31 December 2017 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0413/ltn201804131131.pdf>);
- annual report of the Company for the year ended 31 December 2018 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904291156.pdf>).

The management, discussion & analysis is disclosed in the annual report of the Company for the year ended 31 December 2018.

15. MATERIAL CONTRACTS

The following contracts (being contract entered into outside the ordinary course of business carried on by the Group) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the disposals on 13, 16 and 17 October 2017 by the Group, through China Oceanwide International Capital Investments Management Limited, a wholly owned subsidiary of the Company, in relation to certain debt securities issued by Hutchison Whampoa International (12) (II) Limited in an aggregate principal amount of US\$11.0 million and certain debt securities issued by Hutchison Whampoa International (11) Limited in an aggregate principal amount of US\$31.0 million on the open market at a consideration of approximately US\$11.4 million and approximately US\$33.7 million respectively, details of which were disclosed in the announcement of the Company dated 17 October 2017;
- (b) the renewed apartment lease agreement and the renewed office lease agreement both dated 29 December 2017 entered into between PT. China Oceanwide Indonesia (as the lessor) and PT. Mabar Elektrindo, a company incorporated with limited liability in Indonesia, of which the Company indirectly holds 60% equity interest (as the lessee) in respect of the renewal of the two apartment lease agreements and the office lease agreement dated 18 January 2015, 18 June 2015, 18 May 2015 respectively, in respect of the lease of certain apartments and office space in Jakarta, Indonesia which were due to expire on 31 December 2017, for a term of three years commencing on 1 January 2018 and ending on 31 December 2020 (both days inclusive), details of which were disclosed in the announcement of the Company dated 29 December 2017;
- (c) the disposals on 12 and 13 April 2018 by the Group through China Oceanwide International Capital Investments Management Limited, a wholly owned subsidiary of the Company, in relation to certain debt securities issued by Hutchison Whampoa International (11) Limited in an aggregate principal amount of US\$25.0 million on the open market at an aggregate consideration of approximately US\$26.3 million, details of which were disclosed in the announcement of the Company dated 13 April 2018;
- (d) the sale and purchase agreement dated 30 July 2018 entered into between the Company (as vendor) and Oceanwide Sigma Limited (as purchaser), pursuant to which the Company has agreed to sell, and Oceanwide Sigma Limited has agreed to purchase, 12,801,779 shares in China Oceanwide International Limited (中泛國際有限公司), a wholly-owned subsidiary of the Company, representing 100% equity interest of China Oceanwide International Limited (中泛國際有限公司) at a consideration of US\$12.8 million, as disclosed in the announcement of the Company dated 30 July 2018;

- (e) the subscription agreement dated 12 December 2018 entered into by the Company with Haitong International Securities Company Limited (海通國際證券有限公司) and China Tonghai Securities Limited (中國通海證券有限公司) (collectively, the “**Managers**”), pursuant to which the Company has agreed to issue, and the Managers have severally (and not jointly) agreed (in the case of Haitong International Securities Company Limited (海通國際證券有限公司)) to subscribe and pay for and (in the case of China Tonghai Securities Limited (中國通海證券有限公司)) to procure the subscription and payment for the HK\$600,000,000 6.0% convertible notes due 2023 in an aggregate principal amount of HK\$600,000,000, on the terms and subject to the conditions set out therein, details of which were disclosed in the announcements of the Company dated 12 December 2018, 20 December 2018 and 27 December 2018; and
- (f) the Framework Services Agreement.

16. MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company in Hong Kong is at 64/F, Bank of China Tower, 1 Garden Road, Hong Kong.
- (c) The principal share registrar of the Company is MUFG Fund Services (Bermuda) Limited at 4th floor North Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda.
- (d) The Hong Kong branch share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (e) The company secretary of the Company is Ms. Lam Wai Yee Sophie, who is a fellow member of The Institute of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at 64/F, Bank of China Tower, 1 Garden Road, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any Business Day from the date of this circular up to and including 14 October 2019:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the Framework Services Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 22 of this circular;
- (d) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 23 to 48 of this circular;
- (e) the written consent of the expert as referred to in the section headed “8. Consent and Qualification of Expert” in this appendix;
- (f) the material contracts referred to in the section headed “15. Material Contracts” in this appendix (or where any of these contracts have not been reduced into writing, a memorandum giving full particulars thereof);
- (g) the annual reports of the Company for the two financial years ended 31 December 2017 and 2018 respectively; and
- (h) this circular.

NOTICE OF SPECIAL GENERAL MEETING



中泛控股有限公司

CHINA OCEANWIDE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 715)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the “**SGM**”) of China Oceanwide Holdings Limited (the “**Company**”) will be held at Suite 2418, 24/F, Jardine House, 1 Connaught Place, Central, Hong Kong on Friday, 18 October 2019 at 11:00 a.m. and at any adjournment thereof for the purpose of considering and, if thought fit, passing (with or without amendments) the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“THAT

- (a) the Framework Services Agreement (as defined in a circular of the Company dated 30 September 2019 (the “**Circular**”), a copy of which has been produced at the SGM marked “A” and signed by the chairman of the SGM for identification purpose) dated 30 August 2019 entered into between the Company and CTIFL (as defined in the Circular), and the transactions contemplated thereunder (including the Annual Caps (as defined in the Circular)) be and are hereby approved, confirmed and ratified; and
- (b) any one director of the Company (the “**Director**”) (or where execution under the common seal of the Company is required, any two Directors or any one Director and the secretary of the Company) be authorised to do such acts and execute such other documents and/or deeds with or without amendments and/or take all such steps as he/she may consider necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the Framework Services Agreement, any transactions contemplated thereunder (including the Annual Caps).”

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

Hong Kong, 30 September 2019

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 16 October 2019 to Friday, 18 October 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the SGM (or at any adjournment thereof), all transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 15 October 2019.
2. A shareholder entitled to attend and vote at the SGM (or at any adjournment thereof) is entitled to appoint one or more proxies to attend and, on a poll, vote at the SGM in his stead. A proxy need not be a shareholder. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof), must be deposited at the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM (or any adjournment thereof) (as the case may be).
3. The resolution proposed at the SGM will be voted by way of poll.
4. Where there are joint holders of any Share (as defined in the Circular), any one of such joint holders may vote, either in person or by proxy, in respect of such Share as if he were solely entitled thereto, but if more than one of such joint holders be present at the SGM the vote of the joint holder whose name stands first on the register of members of the Company in respect of the joint holding who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.
5. If tropical cyclone warning signal no. 8 or above or "extreme conditions" caused by a super typhoon or a black rainstorm warning signal is/are in force at 9:00 a.m. on the date of the SGM, the SGM will be postponed. Shareholders may visit the website of the Company at www.oceanwide.hk for details of the postponement and alternative SGM arrangements. The SGM will be held as scheduled when an amber or red rainstorm warning signal is in force. Shareholders should make their own decision as to whether they would attend the SGM under bad weather conditions bearing in mind their own situations and if they should choose to so do, they are advised to exercise care and caution.
6. The Chinese translation of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, 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