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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)

CONNECTED TRANSACTION IN RELATION TO THE SUBLEASE AGREEMENT

THE SUBLEASE AGREEMENT

The Sublandlord is the tenant of the Premises located at Three Embarcadero Center, San Francisco, California, the U.S.. The Subtenant entered into a sublease agreement with the Sublandlord for sublease in respect of the Premises in each of 2018, 2019 and 2020 respectively.

On 30 December 2020 (San Francisco time)/31 December 2020 (HK time), the Subtenant (an indirect wholly-owned subsidiary of the Company) entered into the Sublease Agreement with the Sublandlord for sublease in respect of the Premises for a term of one year commencing on 1 January 2021.

LISTING RULES IMPLICATIONS

As the Sublandlord is a wholly-owned subsidiary of China Oceanwide Holdings Group, which is in turn an indirect controlling shareholder of the Company, the Sublandlord is an associate of China Oceanwide Holdings Group and therefore a connected person of the Company.

In accordance with HKFRS 16 "Leases", the Group will recognize the value of the right-of-use asset on its consolidated statement of financial position in connection with the Fixed Base Rent in relation to the sublease of the Premises under the Sublease Agreement. Accordingly, the payment of the Fixed Base Rent under the Sublease Agreement is regarded as an acquisition of right-of-use asset by the Subtenant which constitutes a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

The payment of the Variable Additional Rent under the Sublease Agreement will be recognized as an administrative expense of the Group and regarded as a continuing connected transaction according to Rule 14A.31 of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the value of the right-of-use asset of the Premises in relation to the Fixed Base Rent under the Sublease Agreement to be recognized by the Group according to HKFRS 16 exceeds 0.1% and all applicable percentage ratios are less than 5%, the transaction contemplated under the Sublease Agreement in relation to the Fixed Base Rent is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

As the amount of the Variable Additional Rent is less than HK\$3 million and all the applicable percentage ratios in respect of the amount of the Variable Additional Rent are less than 5%, such continuing connected transaction under the Sublease Agreement is considered as a *de minimis* transaction under Chapter 14A of the Listing Rules and is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

The Sublandlord is the tenant of the Premises located at Three Embarcadero Center, San Francisco, California, the U.S.. The Subtenant entered into a sublease agreement with the Sublandlord for sublease in respect of the Premises in each of 2018, 2019 and 2020 respectively.

On 30 December 2020 (San Francisco time)/31 December 2020 (HK time), the Subtenant (an indirect wholly-owned subsidiary of the Company) as subtenant entered into the Sublease Agreement with the Sublandlord as sublandlord for sublease in respect of the Premises for a term of one year commencing on 1 January 2021.

THE SUBLEASE AGREEMENT

The principal terms of the Sublease Agreement are set out below:

- Date: 30 December 2020 (San Francisco time)
- Subtenant: Tonghai Properties Corporation (formerly known as China Oceanwide International Properties (US) Corp.), an indirect wholly-owned subsidiary of the Company
- Sublandlord: Tonghai International Group (USA) Co. Ltd. (formerly known as China Oceanwide USA Holdings Co. Ltd.)
- Premises: Those premises located on the 29th floor in Three Embarcadero Center San Francisco, California, the U.S., consisting of approximately 6,437 square feet
- Term: The sublease shall commence on 1 January 2021 and shall expire on 31 December 2021
- Right to renew: The Subtenant has the right to renew the sublease upon the Sublandlord's reasonable approval, subject to any rent adjustment agreed by the parties
- Rents payable: The Subtenant shall pay to the Sublandlord a monthly rent equal to 50.10% (in proportion to the sublease square footage) of the total amount of the Base Rent and Additional Rent on or before the first day of each calendar month during the term of the sublease. Details of rents payable by the Subtenant to the Sublandlord are set out below:
- (i) 50.10% of the Base Rent ("**Fixed Base Rent**")
 - (a) US\$33,257.83 (equivalent to approximately HK\$0.26 million) for each of the 9 months ending 30 September 2021; and
 - (b) US\$33,794.25 (equivalent to approximately HK\$0.26 million) for each of the 3 months ending 31 December 2021.

- (ii) 50.10% of the Additional Rent (“**Variable Additional Rent**”)
 - (a) 0.8892% of the annual building direct expenses, which are in excess of the amount of building direct expenses applicable to the base year as defined in the Master Lease Agreement; and
 - (b) 0.8892% of capital expenses.

Permitted usage: The Premises are to be used for business office purposes and for no other purpose without the prior written consent of the Sublandlord.

Fixed Base Rent and Value of Right-of-Use Asset

The value of the right-of-use asset recognized by the Group in relation to the Fixed Base Rent under the Sublease Agreement amounts to approximately US\$389,000 (equivalent to approximately HK\$3.02 million), which is the present value of the Fixed Base Rent payable during the term of the Sublease Agreement in accordance with HKFRS 16.

Variable Additional Rent

The Variable Additional Rent under the Sublease Agreement will be recognized as an administrative expense of the Group over the term of the Sublease Agreement. The payment of the Variable Additional Rent under the Sublease Agreement will constitute continuing connected transaction pursuant to the Listing Rules.

The amount of the Variable Additional Rent is estimated at US\$65,000 (equivalent to approximately HK\$0.50 million) for the year ending 31 December 2021. The amount was determined based on: (i) the annualized variable additional rent paid by the Subtenant to the Sublandlord for the financial year 2020; and (ii) a buffer for an estimated increment on the building direct expenses and capital expenses charged by the Landlord during the year ending 31 December 2021.

The rents payable under the Sublease Agreement will be financed by the internal resources of the Group.

HISTORICAL RENTAL

Fixed Base Rent

The total amount of fixed base rent paid or payable by the Subtenant to the Sublandlord for the Premises for each of the years ended 31 December 2018 and 31 December 2019 and for the eleven months ended 30 November 2020 amounted to approximately US\$239,000, US\$388,000 and US\$361,000 (equivalent to approximately HK\$1.85 million, HK\$3.01 million and HK\$2.80 million), respectively.

Variable Additional Rent

The total amount of variable additional rent paid or payable by the Subtenant to the Sublandlord for the Premises for each of the years ended 31 December 2018 and 31 December 2019 and for the eleven months ended 30 November 2020 amounted to approximately US\$11,000, US\$38,000, and US\$43,000 (equivalent to approximately HK\$0.09 million, HK\$0.29 million and HK\$0.33 million), respectively.

REASONS FOR AND BENEFITS OF THE SUBLEASE AGREEMENT

The Premises have been used for the Subtenant's office in the U.S.. The Subtenant entered into a sublease agreement with the Sublandlord for sublease in respect of the Premises in each of 2018, 2019 and 2020 respectively and the Sublease Agreement for the purpose of securing the office space for the Subtenant in the U.S..

The terms of the Sublease Agreement (including the rents payable) were determined after arm's length negotiations between the Sublandlord and the Subtenant with reference to the prevailing market rent for properties of similar use, floor area and location.

Given that the terms of the Sublease Agreement have been negotiated on an arm's length basis and the Sublease Agreement has been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Sublease Agreement, and the transactions contemplated thereunder, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the transactions contemplated under the Sublease Agreement or is required to abstain from voting on the Board resolution(s) in relation to the Sublease Agreement and the transactions contemplated thereunder.

INFORMATION OF THE GROUP

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

The Subtenant is a company incorporated in Delaware, the U.S. and an indirect wholly-owned subsidiary of the Company. The Subtenant is principally engaged in the provision of management and administrative services to the real estate development business division of the Group in the U.S..

INFORMATION OF THE SUBLANDLORD AND CHINA OCEANWIDE HOLDINGS GROUP

The Sublandlord is a company incorporated in California, the U.S.. The Sublandlord is principally engaged in the provision of management and administrative services.

China Oceanwide Holdings Group is a company incorporated in the PRC with limited liability. It is principally engaged in real estate investment.

ACCOUNTING IMPLICATIONS AND TREATMENT UNDER THE LISTING RULES

As the Sublandlord is a wholly-owned subsidiary of China Oceanwide Holdings Group, which is in turn an indirect controlling shareholder of the Company, the Sublandlord is an associate of China Oceanwide Holdings Group and therefore a connected person of the Company.

In accordance with HKFRS 16 “Leases”, the Group will recognize the value of the right-of-use asset on its consolidated statement of financial position in connection with the Fixed Base Rent in relation to the sublease of the Premises under the Sublease Agreement. Accordingly, the payment of the Fixed Base Rent under the Sublease Agreement is regarded as an acquisition of right-of-use asset by the Subtenant which will constitute a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

The payment of the Variable Additional Rent under the Sublease Agreement will be recognized as an administrative expense of the Group and regarded as a continuing connected transaction according to Rule 14A.31 of the Listing Rules.

As one of the applicable percentage ratios (as defined under the Listing Rules) calculated based on the value of the right-of-use asset of the Premises in relation to the Fixed Base Rent under the Sublease Agreement to be recognized by the Group according to HKFRS 16 exceed 0.1% and all applicable percentage ratios are less than 5%, the transaction contemplated under the Sublease Agreement in relation to the Fixed Base Rent is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

As the amount of the Variable Additional Rent is less than HK\$3 million and all the applicable percentage ratios in respect of the amount of the Variable Additional Rent are less than 5%, such continuing connected transaction under the Sublease Agreement is considered as a *de minimis* transaction under Chapter 14A of the Listing Rules and is fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Additional Rent”	the additional rent, the amount of which is variable, payable by the Sublandlord to the Landlord under the Master Lease Agreement on a monthly basis
“Base Rent”	the fixed base rent payable by the Sublandlord to the Landlord under the Master Lease Agreement on a monthly basis
“Board”	the board of Directors
“China Oceanwide Holdings Group”	中國泛海控股集團有限公司 (China Oceanwide Holdings Group Co., Ltd.*), a company incorporated in the PRC with limited liability
“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
“connected person(s)”	has the meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Fixed Base Rent”	the fixed base rent payable by the Subtenant to the Sublandlord under the Sublease Agreement
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Landlord”	Three Embarcadero Center Venture, a California general partnership and the landlord under the Master Lease Agreement in respect of 12,849 rentable square feet of space consisting of the entire 29th and 30th floors of Three Embarcadero Center
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Lease Agreement”	the agreement dated 19 April 2013 (San Francisco time) and entered into between the Landlord and the Sublandlord in respect of 12,849 rentable square feet of space consisting of the entire 29th and 30th floors of Three Embarcadero Center
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Premises”	those premises located on the 29th floor in the Three Embarcadero Center, San Francisco, California, the U.S., consisting of approximately 6,437 square feet
“Shareholder(s)”	the holder(s) of shares issued by the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sublandlord”	Tonghai International Group (USA) Co. Ltd. (formerly known as China Oceanwide USA Holdings Co. Ltd.), a California corporation
“Sublease Agreement”	the sublease agreement dated 30 December 2020 (San Francisco time) and entered into between the Sublandlord and the Subtenant in respect of the sublease of the Premises
“Subtenant”	Tonghai Properties Corporation (formerly known as China Oceanwide International Properties (US) Corp.), a Delaware corporation and an indirect wholly-owned subsidiary of the Company

“U.S.”	The United States of America
“US\$”	U.S. dollars, the lawful currency of the U.S.
“Variable Additional Rent”	the variable additional rent payable by the Subtenant to the Sublandlord under the Sublease Agreement
“%”	per cent

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

Hong Kong, 31 December 2020

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

Executive Directors:

Mr. HAN Xiaosheng (*Chairman*)
 Mr. LIU Hongwei (*Deputy Chairman*)
 Mr. LIU Bing
 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

Unless otherwise specified, conversion of US\$ to HK\$ in this announcement is based on the exchange rate of US\$1.00=HK\$7.7526 for illustration purpose only. No representation is made that any amounts in US\$ or HK\$ can be or could have been converted at the relevant dates at the above rate or any other rates at all.

* *for identification purpose only*