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中國通海國際金融有限公司
CHINA TONGHAI INTERNATIONAL FINANCIAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 952)

**(1) REVISION OF THE EXISTING ANNUAL CAPS FOR
MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN
RELATION TO THE EXISTING FRAMEWORK SERVICES
AGREEMENTS**

AND

**(2) MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN
RELATION TO THE NEW FRAMEWORK SERVICES AGREEMENTS**

Financial Adviser to China Tonghai International Financial Limited



中國通海企業融資
CHINA TONGHAI CAPITAL

Reference is made to the circular of the Company dated 31 October 2017 in relation to the Existing Framework Services Agreements entered into between the Company and each of China Oceanwide, Oceanwide Holdings and Tohigh and the respective annual caps of the continuing connected transactions.

REVISION OF THE EXISTING ANNUAL CAPS

Pursuant to the Existing Framework Services Agreements, among other things, the Group provides financial assistance to each of the Oceanwide Holdings Group and the Tohigh Group. Based on the amounts of the historical maximum daily outstanding balance of the financial assistance provided by the Group to the Oceanwide Holdings Group and the Tohigh Group and the projected demand of financial assistance from the Oceanwide Holdings Group and the Tohigh Group, the Company expects that the existing annual caps for the provision of financial assistance by the Group to each of the Oceanwide Holdings Group and the Tohigh Group for the year ending 31 December 2019 will not be sufficient to meet the requirements of the Group. Hence, the Company proposes to revise up the relevant annual caps for the year ending 31 December 2019.

THE NEW FRAMEWORK SERVICES AGREEMENTS

The Existing Framework Services Agreements will expire on 31 December 2019. On 30 August 2019, the Company entered into the New Framework Services Agreements with each of China Oceanwide, Oceanwide Holdings and Tohigh, pursuant to which, among others, the Company and each of China Oceanwide, Oceanwide Holdings and Tohigh have conditionally agreed to engage in various services, investment, lending and underwriting transactions with each other. The New Framework Services Agreements will be effective from 1 January 2020 to 31 December 2022 subject to the satisfaction of the conditions therein.

LISTING RULES IMPLICATIONS

Oceanwide Holdings IF, the controlling Shareholder, is indirectly wholly owned by Oceanwide Holdings. Oceanwide Holdings and China Oceanwide are indirectly non-wholly owned by Tohigh. Accordingly, each of China Oceanwide, Oceanwide Holdings and Tohigh is a connected person (as defined under the Listing Rules) of the Company.

The Revised Annual Caps

The provision of financial assistance by the Group to the Oceanwide Holdings Group and the Tohigh Group under the Existing Framework Services Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Revised Annual Caps on an aggregate basis exceeds 5% and the aggregated value of Revised Annual Caps is more than HK\$10,000,000, the Revised 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 applicable percentage ratio (as defined under the Listing Rules) in respect of the Revised Annual Caps on an aggregate basis is more than 25%, the relevant financial assistance transactions also constitute major transactions under Chapter 14 of the Listing Rules and are therefore subject to the announcement, circular and shareholders' approval requirements thereunder.

The New Framework Services Agreements

The Transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transactions based on the Proposed Annual Caps on an aggregate basis exceeds 5% and the aggregate value of the Proposed Annual Caps is more than HK\$10,000,000, the Transactions and the Proposed 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 applicable percentage ratio (as defined under the Listing Rules) in respect of the financial assistance transactions under the New Framework Services Agreements on an aggregate basis is more than 25%, the financial assistance transactions contemplated under the New Framework Services Agreements also constitute major transactions under Chapter 14 of the Listing Rules and are therefore subject to the announcement, circular and shareholders' approval requirements thereunder.

GENERAL

The SGM will be convened and held, among others, for the Independent Shareholders to consider and, if thought fit, approve the Revised Annual Caps, the New Framework Services Agreements and the Proposed Annual Caps.

A circular containing, among others, the particulars of the Revised Annual Caps, the New Framework Services Agreements and the Proposed Annual Caps together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice of the SGM is expected to be despatched to the Shareholders on or about 30 September 2019.

A. INTRODUCTION

Reference is made to the circular of the Company dated 31 October 2017 in relation to the Existing Framework Services Agreements entered into between the Company and each of China Oceanwide, Oceanwide Holdings and Tohigh and the respective annual caps of the continuing connected transactions mentioned therein.

B. REVISION OF THE EXISTING ANNUAL CAPS

Pursuant to the Existing Framework Services Agreements, among other things, the Group provides financial assistance to each of the Oceanwide Holdings Group and the Tohigh Group. The Group provides secured or unsecured financings and/or loans to each of the Oceanwide Holdings Group and the Tohigh Group; the Group acts as an arranger, agent or lead lender of syndicated loans for each of the Oceanwide Holdings Group and the Tohigh Group, all of which shall be subject to payments of the principal amounts, the relevant fees, expenses and/or interests arising from the provision of, or engagement in, the services or transactions.

Based on the amounts of the historical maximum daily outstanding balance of the financial assistance and the projected demand of the Oceanwide Holdings Group and the Tohigh Group, the Company expects that the relevant existing annual caps for the year ending 31 December 2019 will not be sufficient to meet the requirements of the Group. Hence, the Company proposes to revise up the annual caps. The table below sets out the historical amounts for the six months ended 30 June 2019, the existing annual caps and the Revised Annual Caps:

	For the six months ended 30 June 2019	For the year ending 31 December 2019	
	Historical amounts (HK\$ million)	Existing annual caps (HK\$ million)	Revised Annual Caps (HK\$ million)
Maximum daily outstanding balance of the financial assistance provided by the Group to the following parties:			
(a) the Oceanwide Holdings Group	1,089	1,100	1,200
(b) the Tohigh Group	770	800	900

The Revised Annual Caps are conditional upon the Independent Shareholders' approval at the SGM.

Other than the Revised Annual Caps, all of the annual caps for the other transactions contemplated under the Existing Framework Services Agreements as well as the terms therein shall remain unchanged.

Basis of the Revised Annual Caps

Based on the unaudited management accounts of the Group for the six months ended 30 June 2019, the amounts of the maximum daily outstanding balance of financial assistance provided by the Group to the each of the Oceanwide Holdings Group and the Tohigh Group are approaching the limits of the existing annual caps. The Revised Annual Caps have been determined after taking consideration of (i) the projected demand of such financial assistance for the year ending 31 December 2019; and (ii) the prevailing interest rates charged by the Group.

Pricing basis

As set out in the circular of the Company dated 31 October 2017, the terms of the financial assistance transactions conducted between the Group and the Oceanwide Group will be based on normal commercial terms, with interest rates calculated with reference to, the currency-specific HIBOR/LIBOR for the relevant lending period plus approximately 1.5% to 3%, or with reference to market rates for the relevant

lending period, the size of fundraising, the prevailing market condition and the financial position of the Group at the time of fundraising. The interest rates will be fixed after considering various factors such as quality of collaterals and creditability of the borrowers. The aforesaid interest rates range provides a reference point such that the interest rates will not be exceptionally low/high as compared to the market rates.

Benefits of the Revised Annual Caps

Provision of financial assistance is one of the principal businesses of the Group. The Revised Annual Caps will allow the Group to capture the financing needs of the Oceanwide Holdings Group and the Tohigh Group for the remainder of the year ending 31 December 2019. The provision of financial assistance will be on normal commercial terms and will generate additional income for the Group. As such, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders) are of the view that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. THE NEW FRAMEWORK SERVICES AGREEMENTS

The Existing Framework Services Agreements will expire on 31 December 2019. On 30 August 2019, the Company entered into the New Framework Services Agreements with each of China Oceanwide, Oceanwide Holdings and Tohigh, pursuant to which, among others, the Company and each of China Oceanwide, Oceanwide Holdings and Tohigh have conditionally agreed to engage in various services, investment, lending and underwriting transactions with each other. The New Framework Services Agreements will be effective from 1 January 2020 to 31 December 2022 subject to the satisfaction of the conditions therein.

C.1 THE CHINA OCEANWIDE FRAMEWORK SERVICES AGREEMENT

China Oceanwide and the Company entered into the China Oceanwide Framework Services Agreement on 30 August 2019, pursuant to which, among others, the Company and China Oceanwide have conditionally agreed to engage in various services, investment, lending and underwriting transactions with each other. The principal terms of the China Oceanwide Framework Services Agreement are summarised below.

Date

30 August 2019

Parties

- (1) China Oceanwide; and
- (2) the Company

Term

The China Oceanwide Framework Services Agreement will be effective from 1 January 2020 to 31 December 2022.

Nature of transactions

(1) Service transactions

Brief particulars of the services to be provided (a) by the Group to the China Oceanwide Group or (b) by the China Oceanwide Group to the Group from time to time as contemplated under the China Oceanwide Framework Services Agreement are summarised below:

Income:

- (i) Corporate finance:*** corporate finance services including but not limited to arranging and/or soft underwriting fundraisings through the issuance of equity, debt, convertible securities or derivative products, or arrangement of loans, investments or syndications, provision of merger and acquisition advice, business consultation or financial advisory services.
- (ii) Marketing:*** marketing services including provision of investor relation services, sharing of contents in financial websites, project management and advertising sales services.
- (iii) Financial assistance, securities trading and financing:*** securities trading services, guarantees, secured or unsecured financings and/or loans (including margin financing and acting as an arranger, agent or lead lender of syndicated loans) and ancillary services provided by the Group, in return for relevant commission and brokerage fees, arranger fees, interest income and/or other fees.
- (iv) Asset management:*** asset/fund management services including acting as manager or adviser/sub-adviser or relevant supporting activities (such as calculation agent, valuation agent and conducting market research) provided to the other party in return for management and performance fees.

Expenses:

- (i) Corporate support:*** corporate support services for the corporate finance business including but not limited to business or client referrals.

(2) Investment, lending and underwriting transactions

Brief particulars of the investment, lending and underwriting transactions conducted between the Group and the China Oceanwide Group contemplated under the China Oceanwide Framework Services Agreement are summarised below:

(i) Fund investment

The China Oceanwide Group invests into investment funds managed by the Group.

(ii) Financial assistance

The Group provides guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to the China Oceanwide Group.

(iii) Underwriting commitments

Hard underwriting arrangements between the Group (as underwriter) and the China Oceanwide Group (as issuer) for fundraisings including but not limited to the issue of securities and financial products, right issues and placings.

Payment and pricing

For details of payment and pricing for the transactions contemplated under the China Oceanwide Framework Services Agreement, please refer to the section headed “C.4 Payment and pricing of the Transactions” below.

Conditions precedent

The China Oceanwide Framework Services Agreement will take effect subject to the fulfilment of the following conditions precedent on or before 31 December 2019:

- (a) Approval by the Independent Shareholders in accordance with the Listing Rules for transactions contemplated under the China Oceanwide Framework Services Agreement and the relevant annual caps;
- (b) Approval by the independent shareholders of China Oceanwide in accordance with the Listing Rules for transactions contemplated under the China Oceanwide Framework Services Agreement and the relevant annual caps; and

- (c) Other consents and approvals required by the Company and China Oceanwide in relation to transactions contemplated under the China Oceanwide Framework Services Agreement in accordance with applicable laws and regulations.

Termination

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

C.2 THE OCEANWIDE HOLDINGS FRAMEWORK SERVICES AGREEMENT

Oceanwide Holdings and the Company entered into the Oceanwide Holdings Framework Services Agreement on 30 August 2019, pursuant to which, among others, the Company and Oceanwide Holdings have conditionally agreed to engage in various services, investment, lending and underwriting transactions with each other. The principal terms of the Oceanwide Holdings Framework Services Agreement are summarised below.

Date

30 August 2019

Parties

- (1) Oceanwide Holdings; and
- (2) the Company

Term

The Oceanwide Holdings Framework Services Agreement will be effective from 1 January 2020 to 31 December 2022.

Nature of transactions

(1) Service transactions

Brief particulars of the services to be provided (a) by the Group to the Oceanwide Holdings Group or (b) by the Oceanwide Holdings Group to the Group from time to time as contemplated under the Oceanwide Holdings Framework Services Agreement are summarised below:

- (i) **Corporate finance:** corporate finance services including but not limited to arranging and/or soft underwriting fundraisings through the issuance of equity, debt, convertible securities or derivative products, or arrangement of loans, investments or syndications, provision of merger and acquisition advice, business consultation or financial advisory services.
- (ii) **Marketing:** marketing services including provision of investor relation services, sharing of contents in financial websites, project management and advertising sales services.
- (iii) **Corporate support:** corporate support services for the businesses of securities trading and finance, asset management, corporate finance and other businesses including but not limited to business or client referrals.
- (iv) **Asset management:** asset/fund management services including acting as manager or adviser/sub-adviser or relevant supporting activities (such as calculation agent, valuation agent and conducting market research) provided to the other party in return for management and performance fees.
- (v) **Financial assistance, securities trading and financing:** securities trading services, guarantees, secured or unsecured financings and/or loans (including margin financing and acting as an arranger, agent or lead lender of syndicated loans) and ancillary services provided by the other party, in return for relevant commission and brokerage fees, arranger fees, interest income and/or other fees. The Group or the Oceanwide Holdings Group are for dealings in financial products in Hong Kong, the PRC or overseas markets.

(2) Investment, lending and underwriting transactions

Brief particulars of the investment, lending and underwriting transactions conducted between the Group and the Oceanwide Holdings Group contemplated under the Oceanwide Holdings Framework Services Agreement are summarised below:

(i) Fund investment

The Group and/or the Oceanwide Holdings Group invest(s) into investment funds managed by the Group and/or the Oceanwide Holdings Group.

(ii) Financial assistance

The Group provides guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to the Oceanwide Holdings Group or vice versa.

(iii) Underwriting commitments

Hard underwriting arrangements between the Group (as underwriter) and the Oceanwide Holdings Group (as issuer) for fundraisings including but not limited to issue of securities and financial products, right issues and placings.

The Oceanwide Holdings Group shall give the Group the right of first refusal to utilise the Group's services.

Payment and pricing

For details of payment and pricing for the transactions contemplated under the Oceanwide Holdings Framework Services Agreement, please refer to the section headed “C.4 Payment and pricing of the Transactions” below.

Conditions precedent

The Oceanwide Holdings Framework Services Agreement will take effect subject to the fulfilment of the following conditions precedent on or before 31 December 2019:

- (a) Approval by the Independent Shareholders in accordance with the Listing Rules for transactions contemplated under the Oceanwide Holdings Framework Services Agreement and the relevant annual caps;
- (b) Fulfilment of all applicable listing rules requirements relevant to the Shenzhen Stock Exchange for transactions contemplated under the Oceanwide Holdings Framework Services Agreement; and
- (c) Other consents and approvals to be obtained by the Company and Oceanwide Holdings in relation to transactions contemplated under the Oceanwide Holdings Framework Services Agreement in accordance with applicable laws and regulations.

Termination

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

C.3 THE TOHIGH FRAMEWORK SERVICES AGREEMENT

Tohigh and the Company entered into the Tohigh Framework Services Agreement on 30 August 2019, pursuant to which, among others, the Company and Tohigh have conditionally agreed to engage in various services, investment, lending and underwriting transactions with each other. The principal terms of the Tohigh Framework Services Agreement are summarised below.

Date

30 August 2019

Parties

- (1) Tohigh; and
- (2) the Company

Term

The Tohigh Framework Services Agreement will be effective from 1 January 2020 to 31 December 2022.

Nature of transactions

(1) Service transactions

Brief particulars of the services to be provided (a) by the Group to the Tohigh Group or (b) by the Tohigh Group to the Group from time to time as contemplated under the Tohigh Framework Services Agreement are summarised below:

Income:

- (i) *Corporate finance:*** corporate finance services including but not limited to arranging and/or soft underwriting fundraisings through the issuance of equity, debt, convertible securities or derivative products, or arrangement of loans, investments or syndications, provision of merger and acquisition advice, business consultation or financial advisory services.
- (ii) *Marketing:*** marketing services including provision of investor relation services, sharing of contents in financial websites, project management and advertising sales services.

- (iii) Asset management:** asset/fund management services including acting as manager or adviser/sub-adviser or relevant supporting activities (such as calculation agent, valuation agent and conducting market research) provided to the Tohigh Group in return for management and performance fees.
- (iv) Corporate support:** corporate support services for the asset management business and other businesses including but not limited to business or client referrals.
- (v) Financial assistance, securities trading and financing:** securities trading services, guarantees, secured or unsecured financings and/or loans (including margin financing and acting as an arranger, agent or lead lender of syndicated loans) and ancillary services provided by Group to the Tohigh Group, in return for relevant commission and brokerage fees, arranger fees, interest income and/or other fees.

Expenses:

- (i) Marketing:** marketing services including provision of investor relation services, sharing of contents in financial websites, project management and advertising sales services.
- (ii) Corporate support:** corporate support services for the businesses of securities trading and financing, asset management, corporate finance and other businesses including but not limited to business or client referrals.
- (iii) Asset management:** asset/fund management services including acting as manager or adviser/sub-adviser or relevant supporting activities (such as calculation agent, valuation agent and conducting market research) provided to the Group by the Tohigh Group in return for management and performance fees.
- (iv) Financial assistance:** guarantees, secured or unsecured financings and/or loans and ancillary services provided by the Tohigh Group, in return for relevant commission and brokerage fees, arranger fees, interest income and/or other fees.

(2) Investment, lending and underwriting transactions

Brief particulars of the investment, lending and underwriting transactions conducted between the Group and the Tohigh Group contemplated under the Tohigh Framework Services Agreement are summarised below:

(i) Fund investment

The Group and/or the Tohigh Group invest(s) into investment funds managed by the Group and/or the Tohigh Group.

(ii) Financial assistance

The Group provides guarantees, secured or unsecured financings and/or loans, including margin financing, acting as arranger, agent or lead lender of syndicated loans to the Tohigh Group or vice versa.

(iii) Underwriting commitments

Hard underwriting arrangements between the Group (as underwriter) and the Tohigh Group (as issuer) for fundraisings including but not limited to issue of securities and financial products, right issues and placings.

The Tohigh Group shall give the Group the right of first refusal to utilise the Group's services.

Payment and pricing

For details of payment and pricing for the transactions contemplated under the Tohigh Framework Services Agreement, please refer to the section headed "C.4 Payment and pricing of the Transactions" below.

Conditions precedent

The Tohigh Framework Services Agreement will take effect subject to the fulfilment of the following conditions precedent on or before 31 December 2019:

- (a) Approval by the Independent Shareholders in accordance with the Listing Rules for transactions contemplated under the Tohigh Framework Services Agreement and the relevant annual caps; and
- (b) Other consents and approvals to be obtained by the Company and Tohigh in relation to transactions contemplated under the Tohigh Framework Services Agreement in accordance with applicable laws and regulations.

Termination

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

C.4 PAYMENT AND PRICING OF THE TRANSACTIONS

The Transactions shall be entered into on normal commercial terms. The Group and the Oceanwide Group shall from time to time enter into specific agreements for the transactions contemplated under the New Framework Services Agreements. Detailed payment terms will be specified in the individual contracts governing the particular transactions. Payments for service transactions will be settled in cash.

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

- (i) the internal policies which are applicable to all clients or business partners;
- (ii) the fees/rates of historical services/transactions of similar nature;
- (iii) the fees/rates of comparable transactions of independent third parties in the market if such comparable transactions are available;
- (iv) the scale of the relevant services/transactions; and
- (v) the resources estimated to be spent on providing the relevant services/transactions.

In particular, the pricing basis of each category of transaction(s) contemplated under the New Framework Services Agreements is summarised below:

(1) Service transactions

(i) Corporate finance:

For fundraisings, the relevant arrangement fees/commission rates to be charged will be determined with reference to the type of securities issued or the structure of the financing (as the case may be), the size of fundraisings, the anticipated selling and/or structuring effort, pricing of the issue and the then prevailing market rates for similar transactions.

For merger and acquisition service, a success fee based on the enterprise valuation for the transaction will be charged and a retainer fee may also be charged. The success fee normally ranges from 1% to 5% of the enterprise valuation which depends on the scope of services, deal size, the complexity of deal structure and the anticipated effort to complete the transaction. The fees will be determined with reference to the historical comparable transactions with independent third parties.

For business consultation or financial advisory services, the relevant fees will be determined with reference to the scale, role and scope of services, complexity and timing of the transactions/services and the fees of historical comparable transactions with independent third parties.

(ii) Marketing: the fees will be determined by the parties with reference to the type, the scope and duration of services and the fees of historical comparable transactions with independent third parties.

(iii) Corporate support: the corporate support fees will be determined based on the split of fees for similar services/transactions with independent third parties. The corporate support fees in relation to securities trading and related financing services of the referred clients range from 20% to 50% of net commissions received from clients and up to 20% of net financing interest received from clients. For asset management, the corporate support fees range from 15% to 50% of the management and performance fees. The corporate support fees of financial advisory services range from 10% to 20% of the fee received from clients. Other corporate support fees will be determined based on the historical comparable transactions with independent third parties.

(iv) Asset management: the management fees and performance fees charged will be determined with reference to the size, the structure, the scope of services, the investment mandate of the funds and the then prevailing management

fees and performance fees in the market. The management fees range from 0.2% to 2% of the amount of assets under management and the performance fees can be up to 20% of the return of the fund.

(v) *Financial assistance, securities trading and financing:*

Financial assistance

The terms of financial assistance (other than margin financing) will be based on normal commercial terms, with interest rates calculated with reference to market rates for the relevant tenure, the size of financings/loans, the terms of the loans (including the quality of collaterals for secured loans and type of guarantees (if any)), credit risk assessment and the then prevailing market condition at that time.

Margin financing

Margin financing transactions will be conducted with reference to the standard reference interest rates applicable to different tiers of stock collateral. Adjustments may be made if the transaction involves higher risk or larger loan size.

Securities trading

Commissions for trading of securities are charged by the Group based on the consideration of the securities traded, which vary with the stock exchange on which it is traded, ranging from 0.005% to 2.75%. For Hong Kong equities, the commission rates normally range from 0.08% to 0.25%. The commission rates are determined with reference to the then prevailing commission rates of stock markets, major securities brokerage firms in Hong Kong and taking into consideration of trading volume of the other party.

Commission rates for trading of the PRC securities charged by the Oceanwide Holdings Group range from 0.02% to 0.04%.

Futures dealing

For futures dealing, commissions per futures contract vary according to the type of futures contract and the futures exchange on which it is traded. The commissions per futures contract are determined with reference to the then prevailing commissions of futures markets.

(2) Investment, lending and underwriting transactions:

- (i) Fund investment:** the pricing basis of management fees and performance fees are set out in the sub-section headed “(1)(iv) Asset management” above.
- (ii) Financial assistance:** the pricing basis of interest rates are set out in the sub-sections headed “Financial assistance” and “Margin financing” under “(1)(v) Financial assistance, securities trading and financing” above.
- (iii) Hard underwriting:** the pricing basis of relevant commissions and fees are set out in the sub-section headed “(1)(i) Corporate finance” above.

C.5 REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW FRAMEWORK SERVICES AGREEMENTS

As stated in 2019 interim results announcement of the Group dated 5 August 2019, the Company will strive to deepen the business interaction with Oceanwide Holdings and with the private group of its controlling Shareholder, being the Tohigh Group.

The Transactions will occur on a continuing basis in the ordinary and usual course of business of the Group and will be conducted on normal commercial terms. The New Framework Services Agreements allow the Group to generate additional revenue from the Transactions with the Oceanwide Group directly as well as with the clients referred by the Oceanwide Group through its extensive network. In addition, the Group will have the option to utilise the services provided by the Oceanwide Group. The Transactions will foster a long-term and reliable business association between the Group and the Oceanwide Group.

The Board (excluding the independent non-executive Directors whose views will be given after considering the advice to be given by the Independent Financial Adviser) is of the opinion that the Transactions are in the ordinary and usual course of business of the Group, the terms of the New Framework Services Agreements are on normal commercial terms and are fair and reasonable, the Proposed Annual Caps are fair and reasonable and the entering into the New Framework Services Agreements is in the interests of the Company and the Shareholders as a whole.

No Director has material interest in the Revised Annual Caps, the New Framework Services Agreements and the transactions contemplated thereunder, but as each of Mr. HAN Xiaosheng, Mr. ZHANG Bo, Mr. ZHANG Xifang, Mr. FENG Henian, Mr. LIU Hongwei, Mr. LIU Bing, Mr. ZHAO Yingwei and Mr. ZHAO Xiaoxia, is also a director or officer (as the case may be) of certain members of the Oceanwide Group, they have voluntarily abstained from voting on the relevant Board resolutions approving the Revised Annual Caps and the New Framework Services Agreements.

C.6 HISTORICAL TRANSACTION FIGURES

The below historical transaction figures in respect of continuing connected transactions carried out between the Group and the Oceanwide Group are shown for the purpose of comparison with the Proposed Annual Caps:

Transactions	For the years ended 31 December		For the six months ended
	2017 (HK\$ million)	2018 (HK\$ million)	30 June 2019 (HK\$ million)
(1) China Oceanwide			
(a) Income from service transactions provided to the China Oceanwide Group	0.6	22	12
(b) Expenses from service transactions provided by the China Oceanwide Group	0.5	0	0
(c) Lending and underwriting transactions provided to the China Oceanwide Group			
Maximum daily outstanding principal amount of financial assistance	280	288	293
Maximum daily outstanding balance of underwriting	0	0	0
(d) Investment transactions provided by the China Oceanwide Group			
Maximum daily outstanding investment cost of fund investment	0	0	0

Transactions	For the years ended 31 December		For the six months ended
	2017 (HK\$ million)	2018 (HK\$ million)	30 June 2019 (HK\$ million)
(2) Oceanwide Holdings			
(a) Income from service transactions provided to the Oceanwide Holdings Group	9	67	52
(b) Expenses from service transactions provided by the Oceanwide Holdings Group	0	2	2
(c) Investment, lending and underwriting transactions provided to the Oceanwide Holdings Group			
Maximum daily outstanding investment cost of fund investment	0	0	0
Maximum daily outstanding principal amount of financial assistance	936	976	1,048
Maximum daily outstanding balance of underwriting	0	196	0
(d) Investment, lending and underwriting transactions provided by the Oceanwide Holdings Group			
Maximum daily outstanding investment cost of fund investment	0	0	83
Maximum daily outstanding principal amount of financial assistance	0	0	50
(3) Tohigh			
(a) Income from service transactions provided to the Tohigh Group	0	38	34
(b) Expenses from service transactions provided by the Tohigh Group	0	0	0
(c) Investment, lending and underwriting transactions provided to the Tohigh Group			
Maximum daily outstanding investment cost of fund investment	0	0	0
Maximum daily outstanding principal amount of financial assistance	0	585	820
Maximum daily outstanding balance of underwriting	0	0	0
(d) Investment and lending transactions provided by the Tohigh Group			
Maximum daily outstanding investment cost of fund investment	0	0	0
Maximum daily outstanding principal amount of financial assistance	0	0	0

C.7 THE PROPOSED ANNUAL CAPS

The Proposed Annual Caps for each of the three years ending 31 December 2022 are shown below:

Transactions	For the years ending 31 December		
	2020 (HK\$ million)	2021 (HK\$ million)	2022 (HK\$ million)
(1) China Oceanwide			
(a) Income from service transactions provided to the China Oceanwide Group	98	98	98
(b) Expenses from service transactions provided by the China Oceanwide Group	0.5	0.5	0.5
(c) Lending and underwriting transactions provided to the China Oceanwide Group			
Maximum daily outstanding principal amount of financial assistance	480	480	480
Maximum daily outstanding balance of underwriting	120	120	120
(d) Investment transactions provided by the China Oceanwide Group			
Maximum daily outstanding investment cost of fund investment	60	60	60
	758.5	758.5	758.5
(2) Oceanwide Holdings			
(a) Income from service transactions provided to the Oceanwide Holdings Group	234	234	234
(b) Expenses from service transactions provided by the Oceanwide Holdings Group	98	98	98
(c) Investment, lending and underwriting transactions provided to the Oceanwide Holdings Group			
Maximum daily outstanding investment cost of fund investment	300	300	300
Maximum daily outstanding principal amount of financial assistance	1,300	1,300	1,300
Maximum daily outstanding balance of underwriting	300	300	300
(d) Investment and lending transactions provided by the Oceanwide Holdings Group			
Maximum daily outstanding investment cost of fund investment	150	150	150
Maximum daily outstanding principal amount of financial assistance	150	150	150
	2,532	2,532	2,532

Transactions	For the years ending 31 December		
	2020 (HK\$ million)	2021 (HK\$ million)	2022 (HK\$ million)
(3) Tohigh			
(a) Income from service transactions provided to the Tohigh Group	181	181	181
(b) Expenses from service transactions provided by the Tohigh Group	57	57	57
(c) Investment, lending and underwriting transactions provided to the Tohigh Group			
Maximum daily outstanding investment cost of fund investment	180	180	180
Maximum daily outstanding principal amount of financial assistance	1,000	1,000	1,000
Maximum daily outstanding balance of underwriting	180	180	180
(d) Investment and lending transactions provided by the Tohigh Group			
Maximum daily outstanding investment cost of fund investment	90	90	90
Maximum daily outstanding principal amount of financial assistance	90	90	90
	1,778	1,778	1,778
	<u>5,068.5</u>	<u>5,068.5</u>	<u>5,068.5</u>

(1) Service transactions

The Proposed Annual Caps for service transactions have been determined with reference to, among other things, the following:

- the anticipated business cooperation between the Group and the Oceanwide Group;
- the estimated number/amount of transactions for the three years ending 31 December 2022;
- fees/rates for similar transactions charged by the Group or the Oceanwide Group previously;
- the prevailing interest rates charged by the Group and a buffer for possible increase in interest rates for the three years ending 31 December 2022; and
- for transaction flexibility, a reasonable buffer to cater for unexpected business growth.

(2) Investment, lending and underwriting transactions

The Proposed Annual Caps for investment, lending and underwriting transactions have been determined with reference to, among other things, the following:

- the amounts of historical maximum daily outstanding principal balance of financial assistance for the two years ended 31 December 2018 and the six months ended 30 June 2019;
- the projected financing needs of the Oceanwide Group in terms of financial assistance as well as fundraisings for the three years ending 31 December 2022;
- the projected financing needs of the Group for the three years ending 31 December 2022;
- the financial capabilities of the Group; and
- the projected amount of fund investments.

D. INFORMATION OF THE GROUP

The 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) investing and trading of various investment products.

E. INFORMATION OF CHINA OCEANWIDE, OCEANWIDE HOLDINGS AND TOHIGH

China Oceanwide was incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 715). China Oceanwide is principally engaged in property investments in the PRC, real estate development in the United States of America and the development in the energy sector in Indonesia, as well as financial investment and others. China Oceanwide is indirectly owned by Tohigh and is therefore a connected person of the Company under the Listing Rules.

Oceanwide Holdings is a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000046). It is principally engaged in investment and investment management, finance, strategic investment, asset management, real estate business operation and property management, property 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 United States of America. Oceanwide Holdings controls the entire issued share capital of Oceanwide Holdings IF, the controlling Shareholder, and is therefore a connected person of the Company under the Listing Rules.

Tohigh is a company incorporated in the PRC with limited liability. Its principal business is investment holding. Tohigh is an indirect holding company of the Company and is therefore a connected person of the Company under the Listing Rules.

F. LISTING RULES IMPLICATIONS

Oceanwide Holdings IF, the controlling Shareholder, is indirectly owned by Oceanwide Holdings. Oceanwide Holdings and China Oceanwide are indirectly owned by Tohigh, therefore each of China Oceanwide, Oceanwide Holdings and Tohigh is a connected person of the Company.

Pursuant to rule 14A.54(1) of the Listing Rules, before an annual cap is exceeded or an issuer proposes to renew the agreement in respect of continuing connected transactions, the Company is required to re-comply with the relevant announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Revised Annual Caps

The provision of financial assistance by the Group to the Oceanwide Holdings Group and the Tohigh Group under the Existing Framework Services Agreements constitute continuing connected transactions under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Revised Annual Caps on an aggregate basis exceeds 5% and the aggregated value of the Revised Annual Caps is more than HK\$10,000,000, the Revised 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 applicable percentage ratio (as defined under the Listing Rules) in respect of the Revised Annual Caps is more than 25% on an aggregate basis, the relevant financial assistance transactions also constitute major transactions under Chapter 14 of the Listing Rules and are therefore subject to the announcement, circular and shareholders' approval requirements thereunder.

The New Framework Services Agreements

The Transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Transactions based on the Proposed Annual Caps on an aggregate basis exceeds 5% and the aggregated value of the Proposed Annual Caps is more than HK\$10,000,000, the Transactions and the Proposed 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 applicable percentage ratio (as defined under the Listing Rules) in respect of the financial assistance transactions under the New Framework Services Agreements on an aggregate basis is more than 25%, the financial assistance transactions contemplated under the New Framework Services Agreements also constitute major transactions under Chapter 14 of the Listing Rules and are therefore subject to the announcement, circular and shareholders' approval requirements thereunder.

G. GENERAL

The Independent Board Committee (comprising all independent non-executive Directors) has been established to advise the Independent Shareholders in respect of the Revised Annual Caps, the New Framework Services Agreements and the Proposed Annual Caps. The Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

The SGM will be convened and held, among others, for the Independent Shareholders to consider and, if thought fit, approve the Revised Annual Caps, the New Framework Services Agreements and the Proposed Annual Caps.

A circular containing, among others, the particulars of the Revised Annual Caps, the New Framework Services Agreements and the Proposed Annual Caps together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice of the SGM is expected to be despatched to the Shareholders on or about 30 September 2019.

H. DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“China Oceanwide”	China Oceanwide Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 715)
“China Oceanwide Framework Services Agreement”	the framework services agreement entered into between the Company and China Oceanwide on 30 August 2019 in relation to various services, investment, lending and underwriting transactions with each other
“China Oceanwide Group”	China Oceanwide and its subsidiaries
“Company”	China Tonghai International Financial Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (stock code: 952)
“Director(s)”	the director(s) of the Company
“Existing Framework Services Agreements”	the framework services agreements entered into with each of China Oceanwide, Oceanwide Holdings and Tohigh on 21 September 2017 in relation to the various services and transactions including provision of financial assistance
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board (which comprises Mr. Roy LO Wa Kei, Mr. KONG Aiguo, Mr. LIU Jipeng, Mr. HE Xuehui, and Mr. HUANG Yajun, all being the independent non-executive Directors) established to advise the Independent Shareholders with regard to the Revised Annual Caps, the New Framework Services Agreements and the Proposed Annual Caps

“Independent Financial Adviser”	the independent financial adviser to be appointed to advise to the Independent Board Committee and the Independent Shareholders with regard to the Revised Annual Caps, the New Framework Services Agreements and the Proposed Annual Caps
“Independent Shareholders”	the Shareholders, other than Oceanwide Holdings IF and its associates (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Framework Services Agreements”	the China Oceanwide Framework Services Agreement, Oceanwide Holdings Framework Services Agreement and Tohigh Framework Services Agreement
“Oceanwide Group”	the Tohigh Group, the Oceanwide Holdings Group and the China Oceanwide Group
“Oceanwide Holdings”	Oceanwide Holdings Co., Ltd.* (泛海控股股份有限公司), a joint stock company established in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000046)
“Oceanwide Holdings Framework Services Agreement”	the framework services agreement entered into between the Company and Oceanwide Holdings on 30 August 2019 in relation to various services, investment, lending and underwriting transactions with each other
“Oceanwide Holdings Group”	Oceanwide Holdings and its subsidiaries which for the purpose of the Oceanwide Holdings Framework Services Agreement, exclude the China Oceanwide Group and the Group
“Oceanwide Holdings IF”	Oceanwide Holdings International Financial Development Co., Ltd. (泛海控股國際金融發展有限公司), a company incorporated in the British Virgin Islands with limited liability
“PRC”	the People’s Republic of China, for the purpose of this announcement exclude Hong Kong
“Proposed Annual Caps”	the proposed annual caps for the continuing connected transactions contemplated under the New Framework Services Agreements for the years ending 31 December 2020, 2021 and 2022

“Revised Annual Caps”	the revised annual caps for the financial assistance provided by the Group to each of the Oceanwide Holdings Group and the Tohigh Group under the Existing Framework Services Agreements for the year ending 31 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	shareholder(s) of the Company
“SGM”	the special general meeting to be convened and held by the Company to consider and, if thought fit, approve the Revised Annual Caps, the New Framework Services Agreements and the Proposed Annual Caps
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tohigh”	Tohigh Holdings Co., Ltd. (通海控股有限公司), a company incorporated in the PRC with limited liability
“Tohigh Framework Services Agreement”	the framework services agreement entered into between the Company and Tohigh on 30 August 2019 in relation to various services, investment, lending and underwriting transactions with each other
“Tohigh Group”	Tohigh and its subsidiaries which for the purpose of the Tohigh Framework Services Agreement, exclude the China Oceanwide Group, the Oceanwide Holdings Group and the Group
“Transactions”	the transactions contemplated under the New Framework Services Agreements
“HK\$”	Hong Kong Dollar(s), the lawful currency of Hong Kong
“%”	per cent

For the purpose of this announcement, unless otherwise specified or the context requires otherwise, “” denotes an English translation of a Chinese name and is for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.*

On behalf of the Board
China Tonghai International Financial Limited
HAN Xiaosheng
Chairman

Hong Kong, 30 August 2019

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

Executive Directors:

Mr. HAN Xiaosheng (*Chairman*)
Mr. ZHANG Bo (*Deputy Chairman*)
Mr. ZHANG Xifang
Mr. FENG Henian
Mr. LIU Hongwei
Mr. Kenneth LAM Kin Hing

Independent Non-executive Directors:

Mr. Roy LO Wa Kei
Mr. KONG Aiguo
Mr. LIU Jipeng
Mr. HE Xuehui
Mr. HUANG Yajun

Non-executive Directors:

Mr. Bernard POULIOT
Mr. LIU Bing
Mr. ZHAO Yingwei
Mr. ZHAO Xiaoxia