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OP FINANCIAL LIMITED

東英金融有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1140)

**SUPPLEMENTAL ANNOUNCEMENT IN RESPECT OF
CONTINUING CONNECTED TRANSACTIONS AND CONNECTED
TRANSACTION**

Reference is made to the announcement published by OP Financial Limited (the “**Company**”) on 29 July 2019 in relation to the continuing connected transactions and connected transaction between the Company and Finance Center for South-South Cooperation Limited (“**FCSSC**”), a connected person of the Company under the Listing Rules (the “**Announcement**”).

Unless otherwise stated, the capitalized terms used herein shall have the same meanings as those defined in the Announcement.

The board of Directors (the “**Board**”) of the Company hereby makes the following supplemental disclosure in respect of the Service Agreement and the principal and interest payable of the Promissory Notes offsetting the Service Fee in the Announcement.

* For identification purpose only

DETAILED WORK AND ANALYSIS PERFORMED BY THE DIRECTORS IN DETERMINING THE SERVICE FEE

While determining the Service Fee, the Directors did the following work and analysis:

- (a) examining and analyzing the proposed work plan and budgets offered by FCSSC;
- (b) examining and analyzing the composition and calculation of the proposed budgets;
- (c) examining and analyzing the composition and calculation of the fees, costs, and expenses of similar services provided by FCSSC for the last three years, and comparing them with the Service Agreement;
- (d) investigating and analyzing the performance ability of FCSSC, e.g., financial conditions, human resources, skills, and experience;
- (e) investigating the performance and operation history of FCSSC; and
- (f) investigating the effects of the similar services FCSSC had provided before.

Based on the above work and analysis, the Directors found that the work plan met the Company's requirements. FCSSC was able and suitable to provide the services. The budgets, which included the costs and expenses, were based on solid evidence. Usually, initial expansion costs would be occurred because of deposits or advance payments for many services, e.g., venue reservations, agency engagements. So the Directors thought the Service Fee to be at HK\$9,975,000 was reasonable and fair.

DETAILED SCOPE OF WORK AND DETAILED WORK PLAN FOR THE SERVICES TO BE PROVIDED BY FCSSC

The detailed scope of work and detailed work plan for the services to be provided by FCSSC and the proposed budgets for each year are as below:

- Item (a) to host a high-level two-or three-day international conference in Vienna with the cooperation of an organization under United Nations or other equivalent organization agreed by the Company. The attendees should be representatives of governments, business, developing institutions and academic research institutions from not less than 30 countries and 100 cities. The topics of the conference are policy research and industrial development opportunities including green technology, smart cities, circular economy, and related policy coordination and financing exploration. The budget for this conference is not less than HK\$1,000,000;

- Item (b) to host an international financial workshop program in China (outside Hong Kong) with the cooperation of PBC School of Finance, Tsinghua University or other equivalent organization agreed by the Company. Senior financial officials, banking executives, and other entrepreneurs shall be invited to the one-week international financial workshop program. Through the training and learning, participants shall better understand China's economic and financial development and explore more investment opportunities in China. The budget for this workshop program is around HK\$800,000;
- Item (c) to host a one-day international financial conference in Hong Kong with the cooperation of an organization under United Nations or other equivalent organization agreed by the Company. Participants include international organizations such as the United Nations, senior officials of developing countries, internationally renowned research institutions, domestic and overseas universities, and many financial experts. They shall discuss hot topics in financial development. The budget for this conference is around HK\$500,000;
- Item (d) to organize production capacity project inspections and negotiations in other countries. FCSSC had organized such inspections in Poland, France, Spain, Austria, Tajikistan, Nepal, Thailand, Djibouti, Rwanda, South Africa, Egypt, United States, Chile, Argentina, etc. The budget for the international inspections is HK\$450,000;
- Item (e) to access the financial research reports such as the South-South Cooperation Annual Report and other reports in relation to South-South Cooperation published by the FCSSC and an organization under United Nations and written by the renowned universities such as Peking University and China Agricultural University and international experts. The subscription fee for the research reports is HK\$300,000 per year; and
- Item (f) to access the South-South Galaxy (South-South Star) big data resource which is jointly developed by FCSSC and an organization under United Nations. It provides a platform for accessing to knowledge, solutions, projects and funds through the integration of existing information platform of the South-South Cooperation, and it will serve as an effective complement to the existing information platform for South-South cooperation, instead of a replacement. Through the Internet, it will establish an efficient and pragmatic channel and create more opportunities for South-South cooperation. The estimated budget for this big data resource is about HK\$300,000.

The total sum of the budgets of (a) to (f) was about HK\$3,350,000 each year, or HK\$10,050,000 for three years. The budgets of (a) to (d) were based on the costs and expenses of conference fees, traveling and accommodation expenses, speaking fees, lecture fees, etc. The budgets of (e) and (f) were based on the development costs, standard subscriptions fees, etc.

COMPARISON WITH INDEPENDENT THIRD PARTIES

The Directors have compared the Service Fee with the fees offered by independent third parties for same or similar services in the market. The details are as follows:

- Item (a) The fees proposed by an organization under United Nations were HK\$1,500,000 for 2019 and HK\$1,400,000 for 2020. Reference was also made to a three-day industrial conference hosted by an organization under United Nations in 2016 in Asia with 700 participants. The fees of the conference were HK\$5,400,000;
- Item (b) The fees of the workshop were asked to available education institutions in China. One of the top universities located in Beijing offered HK\$1,100,000;
- Item (c) It is a popular practice in Hong Kong that such conferences are convened in 5-star hotels, e.g., Shangri-La, JW Marriot, Conrad. The fees are not less than HK\$500,000 in the market. It includes HK\$250,000 of room revenue (HK\$350,000 for conference in December 2019) quoted by a 5-star hotel, HK\$200,000 for organization and administration quoted by a public relation company (other public relation companies quoted the price from HK\$250,000 to HK\$350,000), and HK\$60,000 quoted by an individual business providing the services of meeting material, design, and registration, etc;
- Item (d) The fees offered by Hong Kong travel agencies were HK\$25,000 per person for one round-trip ticket and five-night hotel in Europe on the basis of a 20-person group;
- Item (e) The fees quoted by university presses in China for the financial research reports were from HK\$385,000 to HK\$550,000;
- Item (f) It was difficult to find a provider which could provide the same data service in the market because the data is very particular. The Directors referred to some similar data services providers in the market. A market intelligence platform, which analyzes data points on venture capital, startups, patents, partnerships and news mentions, provided an analytics-class subscription fee of HK\$420,000 per year and an executive-class subscription fee of HK\$2,300,000 per year. The subscription fee proposed by a data resource supplier about One Belt One Road was HK\$330,000 per year. On the basis, the Directors are of the view that FCSSC's budget was fair because 1) the South-South Galaxy data resource is informative; 2) it is particular and can not be replaced; and 3) it includes a platform that enables the user to contact the relevant parties involved in the economic activities recorded in the data.

Based on the comparison, the Directors determine that the Service Fee is fair and reasonable and at normal commercial terms or better.

UPFRONT PAYMENT OF THE FULL SERVICE FEE

It is a normal commercial practice that a discount would be granted if there is an upfront payment. Since there was still an outstanding amount under the Promissory Note, the full Service Fee being paid by set-off was also a popular commercial practice. So that the full Service Fee was paid upfront was at normal commercial terms and fair and reasonable.

REASONS WHY THE COMPANY NEEDS THE SERVICES TO BE PROVIDED BY FCSSC ESPECIALLY WHEN THE COMPANY HAS ALREADY APPOINTED ORIENTAL PATRON ASIA LIMITED AS ITS INVESTMENT MANAGER

Oriental Patron Asia Limited, as the Company's investment manager, undertakes investment and management duties arising pursuant to the Company's investments and renders such advice and assistance to the Company as it may from time to time require in connection with the investment and divestment of the assets (including cash) of the Company. In particular, the investment manager shall:

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

The scope of service under the investment management agreement is different to the Service Agreement. So the Company needs the services contemplated under the Service Agreement.

Save for the aforesaid, all other information in the Announcement remained unchanged.

By Order of the Board
OP Financial Limited
Zhang Gaobo
Executive Director and Chairman

Hong Kong, 2 September 2019

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Zhang Zhi Ping, Mr. Zhang Gaobo, Dr. Liu Zhiwei and Mr. Zhang Weidong; one non-executive Director, namely Dr. Wu Zhong; and four independent non-executive Directors, namely, Professor He Jia, Mr. Wang Xiaojun, Mr. Chen Yuming and Dr. Fu Weigang.