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遠東宏信有限公司
FAR EAST HORIZON LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3360)

CONTINUING CONNECTED TRANSACTIONS NEW FRAMEWORK AGREEMENT WITH SINOCHEM FINANCE

Reference is made to the announcement of the Company dated 6 June 2018 in respect of the Framework Agreement and the underlying continuing connected transactions with Sinochem Finance.

As the Framework Agreement will expire on 31 December 2020, to regulate such continuing connected transactions contemplated thereunder, the Board announces that, on 16 December 2020, the Company entered into the New Framework Agreement with Sinochem Finance to renew the continuing connected transactions under the Framework Agreement on the major terms and conditions disclosed in this announcement.

Sinochem Finance is an associate of Sinochem Group which is a substantial shareholder of the Company, and accordingly, Sinochem Finance is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the financial services provided by Sinochem Finance to the Group under the New Framework Agreement constitute continuing connected transactions of the Company.

In respect of the Deposit Services, the Company estimates that the Proposed Cap of Deposit Services will amount to RMB1,100 million during the term of the New Framework Agreement. In respect of the Other Financial Services, the Company estimates that the Proposed Cap of Other Financial Services will amount to RMB50 million per annum during the term of the New Framework Agreement.

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Proposed Cap of Deposit Services and the Proposed Cap of Other Financial Services exceed 0.1% but are below 5%, the Deposit Services and the Other Financial Services are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under the Listing Rules.

THE NEW FRAMEWORK AGREEMENT

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The principal terms of the New Framework Agreement are set out below:

Date

16 December 2020

Term

The term of the New Framework Agreement shall commence on 1 January 2021 and expire on 31 December 2023. Upon expiry of such term, it shall automatically be extended for further terms of three years, subject to the fulfillment of the relevant requirements of the Listing Rules, unless a written notice of termination is served by one party to the other party at least one month prior to the expiry of such term.

Parties

- (a) Sinochem Finance; and
- (b) the Company

Provision of financial services by Sinochem Finance to the Group

Pursuant to the New Framework Agreement, the Group will, from time to time, utilise the financial services available from Sinochem Finance as it deems necessary. Such services include:

- (a) *Deposit Services*: Sinochem Finance will assist the Group to formulate a beneficial deposit portfolio comprising different types of deposits such as current deposits, notice deposits and fixed deposits, etc.
- (b) *Financial assistance to the Group*: Sinochem Finance will provide financial assistance to the approved members of the Group on normal commercial terms or better to the relevant member of the Group, for which no mortgage over assets, pledge over rights or any other form of security will be provided by the Group, including without limitation: (i) loan services (excluding entrusted loan services); (ii) written credit guarantees services for financing, bidding and performance, etc.; and (iii) bill discount services.

- (c) *Other Financial Services:* Apart from the above-mentioned Deposit Services and financial assistance to the Group, Sinochem Finance will provide other financial services approved by the CBIRC to approved members of the Group, including but not limited to settlement services, internet banking services and financial consultancy services, etc.

Pricing principles

- (a) *Deposit Services:* For the interests payable by Sinochem Finance to the Group, the interest rates will be determined in accordance with and shall not be lower than the benchmark rates promulgated by the PBOC for deposits of the same term and same category from time to time.
- (b) *Financial assistance to the Group:* For the loan interests and fees payable by the Group to Sinochem Finance, the interest rates and fee standards will be determined in accordance with and shall not be higher than the interest rates and fee standards offered by independent commercial banks in the PRC to the Group under the same conditions.
- (c) *Other Financial Services:* For the service fees payable by the Group to Sinochem Finance for the Other Financial Services, the service fees will be determined in accordance with the principles of fairness and reasonableness and shall not be higher than the fair market prices or the standard rates as promulgated by the PBOC from time to time (if applicable).

Other major terms

Under the New Framework Agreement, in the event of any member of the Group being incapable of recovering its deposits placed with Sinochem Finance for whatever reason on the latter's part, such member of the Group will have the right to set the amounts payable by the Group to Sinochem Finance off against the corresponding amounts due to any member of the Group by Sinochem Finance. Sinochem Finance does not have such right of set-off under the New Framework Agreement.

Under the New Framework Agreement, Sinochem Finance will deal with the monies deposited by the Group in such activities as approved by the CBIRC and the relevant laws and regulations. If Sinochem Finance decides to deposit any of such monies, it has undertaken to deposit them with commercial banks approved by the CBIRC. Sinochem Finance has also undertaken that the outstanding amount of loans which it has provided to member units of the Sinochem Group shall at all times not exceed the aggregate of Sinochem Finance's equity capital, reserve and deposits received from parties other than the Group.

The Group utilises the services of Sinochem Finance on a voluntary, non-exclusive basis and is not obliged to engage Sinochem Finance for any particular service, or at all. Sinochem Finance is merely one of a number of financial institutions which provide financial services to the Group.

Individual agreement(s)

Sinochem Finance and the Group may, from time to time, enter into separate agreement(s) which set out the specific scope of services, the terms and conditions of providing such services and the payment terms, according to the principles laid down by the New Framework Agreement. The terms of such separate agreement(s) shall not exceed the term of the New Framework Agreement.

HISTORICAL AMOUNTS FOR THE CONTINUING CONNECTED TRANSACTIONS

Deposit Services

The actual maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Sinochem Finance for the two years ended 31 December 2019 and the eleven months ended 30 November 2020 were approximately RMB861 million, RMB610 million and RMB855 million, respectively.

As at the date of this announcement, the actual maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Sinochem Finance during the term of the Framework Agreement has not exceeded the proposed cap under the Framework Agreement.

Other Financial Services

The historical amounts for the fees of other financial services paid by the Group to Sinochem Finance for the two years ended 31 December 2019 and the eleven months ended 30 November 2020 were RMB9 million, RMB22 million and RMB9 million, respectively.

ANNUAL CAPS FOR THE CONTINUING CONNECTED TRANSACTIONS

Deposit Services

In respect of the Deposit Services, the Company estimates that the Proposed Cap of Deposit Services will amount to RMB1,100 million during the term of the New Framework Agreement.

The Proposed Cap of Deposit Services has been calculated on the basis of several factors including: (i) the historical maximum daily outstanding balance of deposits; (ii) the requirement to settle accounts receivables from the member units of Sinochem Group or any third parties through the deposit accounts of the members of the Group maintained with Sinochem Finance; (iii) the strategies of the treasury management of the Group; (iv) the development and financial needs of the Group during the term of the New Framework Agreement; and (v) the average cash balance of the Group since the date of listing of the Company. The Proposed Cap of Deposit Services refers to the maximum daily outstanding balance of deposits (including accrued interest) during the term of the New Framework Agreement, and is not cumulative in nature.

Other Financial Services

In respect of the Other Financial Services, the Company estimates that the Proposed Cap of Other Financial Services will amount to RMB50 million per annum during the term of the New Framework Agreement.

The Proposed Cap of Other Financial Services has been calculated on the basis of several factors including: (i) the historical transaction amounts; and (ii) the significant increase in the business development needs of the industry sectors. The Proposed Cap of Other Financial Services refers to the maximum service fees payable by the Group to Sinochem Finance in respect of Other Financial Services per annum during the term of the New Framework Agreement, and is cumulative in nature.

INTERNAL CONTROL PROCEDURES AND CORPORATE GOVERNANCE MEASURES

In order to protect the interests of the Shareholders, the Group has adopted the following internal control procedures and corporate governance measures in relation to its utilisation of Sinochem Finance's services:

(a) Deposit Services

The finance department of the Company is responsible for searching the benchmark rates promulgated by the PBOC from time to time and review the terms of Deposit Services offered by Sinochem Finance to make sure that such pricing principle will be followed for individual transactions.

(b) Financial assistance to the Group

Before the Group enters into any agreement with Sinochem Finance in respect of financial assistance to the Group, the finance department of the Company is responsible for obtaining at least two comparable offers from independent commercial banks or other independent financial institutions, reviewing the terms of such offers and compare such offers with the offer from Sinochem Finance. The general manager of the finance department of the Company is responsible for conducting the final review and determining whether to enter into the relevant agreements with Sinochem Finance.

(c) Other Financial Services

Before the Group enters into any individual agreement(s) with Sinochem Finance, the finance department of the Company will obtain quotes from independent financial institutions for similar financial services. Such quotes, together with the offer from Sinochem Finance, will be reviewed by the general manager of the finance department of the Company to make sure that the fees charged by Sinochem Finance will be no less favourable than the fees charged by independent financial institutions for comparable services.

The Company will report to the independent non-executive Directors every six months on the abovementioned agreement(s) entered into with Sinochem Finance together with information on the comparable offers obtained from independent commercial banks or financial institutions and any changes in the credit ratings of Sinochem Finance during the preceding six-month period.

The Board considers that the above internal control procedures and corporate governance measures adopted by the Company concerning the continuing connected transactions with Sinochem Finance are appropriate and sufficient.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company believes that the risk profile of Sinochem Finance, as a provider of financial services to the Group, is not greater than those of independent commercial banks in the PRC because:

- (i) Sinochem Finance is regulated by the PBOC and the CBIRC and it provides its services in compliance with the relevant rules and operational requirements including capital risks guidelines and requisite capital adequacy ratios of such regulatory authorities;
- (ii) Sinochem Finance has not defaulted on any of its credit obligations or to the knowledge of the Company breached any rules or operational requirements of such regulatory authorities; and
- (iii) according to the relevant laws and regulations promulgated by CBIRC and as set out in the articles of association of Sinochem Finance, in the event that Sinochem Finance falls into financial difficulty, Sinochem Group, being the holding company of Sinochem Finance, has the obligation to take all required steps, such as injecting capital into Sinochem Finance based on its funding needs, to restore its financial position.

The advantages of utilising financial services provided by Sinochem Finance over utilising similar services provided by independent commercial banks are as follows:

- (i) in respect of Deposit Services, although Sinochem Finance offers interest rates that are the same as those offered by independent commercial banks (because such rates are regulated by the PBOC), Sinochem Finance can assist the Group to formulate a beneficial deposit portfolio comprising different types of deposits such as current deposits, call deposits and fixed deposits, which allows the Group to increase its return on funds and retain sufficient working capital flexibility;
- (ii) through Sinochem Finance's settlement services, the Group is able to achieve same-day zero rate settlement at no cost. As Sinochem Finance is familiar with the business and transaction pattern of the Group, the settlement services provided by Sinochem Finance tend to provide a more efficient and orderly platform than those that could be provided by independent commercial banks. This also helps to reduce the transaction costs of the Company such as handling fees for transfer of funds and other administrative expenses;

- (iii) through the information system operated by Sinochem Finance, the Group can access the status of receipts and payments of funds made through Sinochem Finance, as well as the status of funds, at no cost and at any time; and
- (iv) as an intra-group service provider, Sinochem Finance generally has better and more efficient communication with the Group as compared with independent commercial banks.

However, if independent commercial banks or other financial institutions offer specific advantages which are more favourable to the Group in respect of any of the financial services set out in the New Framework Agreement, the Group may discontinue its use of such services provided by Sinochem Finance without having to incur extra cost.

The Directors (including the independent non-executive Directors) consider that (i) the New Framework Agreement are entered into in the ordinary and usual course of business of the Group and on normal commercial terms or on terms no less favourable than those from independent third parties under prevailing local market conditions; (ii) the terms of the New Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the Proposed Cap of Deposit Services and the Proposed Cap of Other Financial Services are fair and reasonable.

LISTING RULES IMPLICATIONS

Sinochem Finance is an associate of Sinochem Group which is a substantial shareholder of the Company, and accordingly, Sinochem Finance is a connected person of the Company. Pursuant to Chapter 14A of the Listing Rules, the financial services provided by Sinochem Finance to the Group under the New Framework Agreement constitute continuing connected transactions of the Company.

As the highest applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of each of the Proposed Cap of Deposit Services and the Proposed Cap of Other Financial Services exceed 0.1% but are below 5%, the Deposit Services and the Other Financial Services are subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirement under the Listing Rules.

Pursuant to Rule 14A.90 of the Listing Rules, the continuing connected transactions involving the provision of financial assistance to the Group by Sinochem Finance as stated in paragraph (b) under the section headed "Provision of financial services by Sinochem Finance to the Group" in this announcement are exempt from the reporting, announcement and independent shareholders' approval requirements as these transactions constitute financial assistance provided by a connected person for the benefit of the Group on normal commercial terms where no security over the assets of the Group is granted in respect of the financial assistance.

By virtue of his position held in Sinochem Finance, being the chairman of Sinochem Finance, Mr. Yang Lin is considered to have a material interest in the entering into of the New Framework Agreement, and has abstained from voting on the resolution approving the New Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the New Framework Agreement.

GENERAL INFORMATION

Information on Sinochem Finance

Sinochem Finance is a non-bank financial institution established in June 2008 with the approval of the CBIRC. It is subject to the supervision of the CBIRC. The principal business activities of Sinochem Finance include global fund pools, financing services, assets management and financial intermediaries, etc. According to its business licence, it is authorised to provide to the Group all services set out in the New Framework Agreement and provide similar services to other member units of Sinochem Group (but not other parties).

As at the date of this announcement, Sinochem Finance is an indirectly wholly-owned subsidiary of Sinochem Group. Sinochem Group is a state-owned enterprise established in the PRC, which is principally engaged in the integrated operation of petroleum and chemical industries, agricultural inputs (including seeds, pesticides and fertilizers) and modern agricultural services.

Information on the Group

The Group is one of China's leading innovative financial companies focusing on the Chinese fundamental industries and leveraging the business model of integrating finance and industry to serve enterprises of greatest vitality with the support of the fast-growing and enormous economy in China. It provides integrated finance, investment, trade, advisory and engineering services in healthcare, culture & tourism, engineering construction, machinery, chemical & medicine, electronic information, livelihood & consumption, transportation & logistics, urban public utility as well as other fundamental sectors.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Company”	Far East Horizon Limited (遠東宏信有限公司), a company incorporated in Hong Kong with limited liability and listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules

“Deposit Services”	the continuing connected transactions involving the provision of deposit services by Sinochem Finance to the Group as set out in the section headed “Provision of financial services by Sinochem Finance to the Group” in this announcement and to be entered into from time to time pursuant to the New Framework Agreement
“Director(s)”	the directors of the Company
“Framework Agreement”	the financial services framework agreement dated 6 June 2018 between the Company and Sinochem Finance in relation to the continuing connected transactions of provision of financial services by Sinochem Finance to the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“member unit(s)”	has the meaning ascribed to it under the Measures for the Administration of the Finance Companies of Enterprises Groups (企業集團財務公司管理辦法), as enacted by the CBIRC on 27 July 2004 and effective on 1 September 2004
“New Framework Agreement”	the financial services framework agreement dated 16 December 2020 between the Company and Sinochem Finance in relation to the continuing connected transactions of provision of financial services by Sinochem Finance to the Group
“Other Financial Services”	the continuing connected transactions involving the provision of other financial services by Sinochem Finance to the Group as set out in the section headed “Provision of financial services by Sinochem Finance to the Group” in this announcement and to be entered into from time to time pursuant to the New Framework Agreement
“PBOC”	the People's Bank of China, the central bank of the PRC
“PRC”	the People's Republic of China
“Proposed Cap of Deposit Services”	the proposed maximum daily outstanding balance of deposits (including accrued interest) placed by the Group with Sinochem Finance during the term of the New Framework Agreement

“Proposed Cap of Other Financial Services”	the proposed maximum service fees payable by the Group to Sinochem Finance in respect of Other Financial Services per annum during the term of the New Framework Agreement.
“RMB”	Renminbi, the lawful currency of the PRC
“Sinochem Finance”	中化集團財務有限責任公司(Sinochem Group Finance Co., Ltd.*), an indirectly wholly-owned subsidiary of Sinochem Group, and for the purpose of the New Framework Agreement only, or its associates, as applicable
“Sinochem Group”	中國中化集團有限公司(Sinochem Group Co., Ltd*), a state-owned enterprise established in the PRC, a substantial shareholder of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

By Order of the Board
Far East Horizon Limited
KONG Fanxing
Chief Executive Officer and Executive Director

Hong Kong, 16 December 2020

As at the date of this announcement, the executive directors of the Company are Mr. KONG Fanxing and Mr. WANG Mingzhe, the non-executive directors of the Company are Mr. NING Gaoning (Chairman), Mr. YANG Lin, Mr. LIU Haifeng David, Mr. KUO Ming-Jian and Mr. John LAW, and the independent non-executive directors of the Company are Mr. CAI Cunqiang, Mr. HAN Xiaojing, Mr. LIU Jialin and Mr. YIP Wai Ming.

* for identification purposes only