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Southwest Securities International Securities Limited

西證國際證券股份有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 812)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO REFERRAL SERVICE FRAMEWORK AGREEMENT

THE FRAMEWORK AGREEMENT

The Board announces that on 3 July 2019, the Company entered into the Framework Agreement with SWSC, pursuant to which the Company conditionally agreed to engage from SWSC, and SWSC conditionally agreed to provide to the Company client referral services in relation to financing business for the period from the Effective Date to 31 December 2021.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is owned as to approximately 74.22% by SSII, which is in turn wholly-owned by SWSC. Accordingly, SWSC is a connected person of the Company, and the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) (as defined under the Listing Rules) in respect of the annual caps for the transactions contemplated under the Framework Agreement are more than 5% but all less than 25%, and all the annual caps for the three years ending 31 December 2021 are less than HK\$10,000,000, the transactions and annual caps under the Framework Agreement are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

THE FRAMEWORK AGREEMENT

The Board announces that on 3 July 2019, the Company entered into the Framework Agreement with SWSC. The principal terms of the Framework Agreement are as follows:

Date:

3 July 2019 (after trading hours)

Parties:

- (1) The Company; and
- (2) SWSC

Subject matter:

Pursuant to the Framework Agreement, SWSC agreed to make client referrals to the Company Members for financing business if it comes across appropriate clients with financing needs during its ordinary course of business. SWSC shall have full discretion to determine whether to make a client referral or not. Once the procedure of a client referral has been initiated, SWSC shall not refer such client to any third party unless the client referral is not successful.

A client referral will be regarded as successful after SWSC and the Company Member have confirmed the details of the referral in writing by email or in other manner as agreed between SWSC and the Company Member and the potential client has entered into a legally binding engagement agreement with the Company Member with regard to the financing business.

Referral fee and payment manner:

The financing businesses to be referred by SWSC under the Framework Agreement are classified into the following three categories: (1) equity financing business; (2) bond financing business; and (3) other financing business.

Unless otherwise agreed by SWSC and the Company Member, the referral fee payable by the Company to SWSC for each successful client referral shall be the Standard Service Fee times the Referral Fee Rate.

The “**Standard Service Fee**” represents the service fee to be received by the Company Member from the financing service provided to the client, net of all expenses.

The “**Referral Fee Rate**” shall range from 10% to 50% and vary from one case to another depending on the range and complexity of the work performed by SWSC in every successful client referral case, a summary of which is as follows:

Participation of SWSC	Referral Fee Rate
— Introduction of client(s); — Assist in the Engagement; and — Partially participates in certain matters in the project after the Engagement and provides assistance to the Company Member and/or the client from time to time	40–50%
— Introduction of client(s); and — Assist in procuring client(s) to enter into a legally binding engagement agreement with the Company Member (the “ Engagement ”)	20–40%
— Mere introduction of client(s) with no follow-up work	10–20%

Unless otherwise agreed by SWSC and the Company, SWSC and the Company shall settle the referral fee quarterly.

Annual caps and the basis:

Pursuant to the Framework Agreement, the annual caps in respect of the referral fees payable by the Company to SWSC for each of the three years ending 31 December 2021 are HK\$9 million, HK\$9.45 million and HK\$9.93 million respectively.

In arriving at the above annual caps, the Directors have considered the Standard Service Fee received by the Company Member from transactions between the Company Member and independent third parties for similar financing services and negotiated on an arm’s length basis; and the expected and potential growth of business cooperation between the Group and SWSC.

Condition precedent:

The effectiveness of the Framework Agreement is conditional upon the parties having complied with the requirements under applicable laws and regulations, and having obtained all necessary consent and approvals from the relevant authorities (including but not limited to the Stock Exchange and the Shanghai Stock Exchange) and the shareholders of the relevant party (if necessary).

Term:

The Framework Agreement will be effective from the Effective Date to 31 December 2021.

INFORMATION OF THE COMPANY AND SWSC

The Company is an investment holding company and the Group is principally engaged in futures broking, securities broking and margin financing, corporate finance, wealth management and insurance broking, money lending and proprietary trading.

SWSC is a company incorporated in the PRC and the shares of which are listed on the Shanghai Stock Exchange. It is principally engaged in brokerage, investment banking, asset management and the consulting services business.

REASONS FOR AND BENEFITS FOR ENTERING INTO THE FRAMEWORK AGREEMENT

Taking into consideration that (i) the financing businesses to be referred by SWSC under the Framework Agreement are a part of the principal activities of the Group and in the ordinary course of business of the Group; and (ii) the cooperation between SWSC and the Group may promote the Group's reputation, strengthen the Group's domestic and overseas publicity and attract more business opportunities, the Directors consider that the entering into of the Framework Agreement is an important step for the Group to leverage on the established network of SWSC in the PRC and increase the client base of the Group.

Based on the above, the Directors (including all independent non-executive Directors) consider that the terms of the Framework Agreement are fair and reasonable, and the transactions and annual caps under the Framework Agreement are and on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Mr. Wu Jian*, Mr. Pu Rui*, Ms. Wang Huiyun* and Mr. Xiong Xiaoqiang*, all being Directors connected with SWSC and/or its associates, have abstained from voting on the Board resolutions in respect of the transactions and annual caps under the Framework Agreement and the transactions and annual caps contemplated thereunder. Save for the Directors mentioned above, none of the Directors has material interests in the transactions and annual caps under the Framework Agreement and is required to abstain from voting on the Board resolutions in relation thereto.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Company is owned as to approximately 74.22% by SSII, which is in turn wholly-owned by SWSC. Accordingly, SWSC is a connected person of the Company, the entering into of the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) (as defined under the Listing Rules) in respect of the annual caps for the transactions contemplated under the Framework Agreement are more than 5% but all less than 25%, and all the annual caps for

the three years ending 31 December 2021 are less than HK\$10,000,000, the transactions and annual caps under the Framework Agreement are subject to the reporting, announcement and annual review requirements but exempt from the circular and independent Shareholder's approval requirements pursuant to Rule 14A.76(2) of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Southwest Securities International Securities Limited (西證國際證券股份有限公司*), a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Company Member(s)”	the Company and/or any of its wholly-owned subsidiary(ies)
“connected person(s)”	as defined under the Listing Rules
“Director(s)”	director(s) of the Company
“Effective Date”	the date when the condition precedent to the Framework Agreement has been fulfilled
“Framework Agreement”	the referral service framework agreement dated 3 July 2019 entered into between the Company and SWSC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People's Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC for the purpose of this announcement
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares

“SSII”	Southwest Securities International Investment Limited, a limited liability company incorporated in Hong Kong which holds 2,717,695,233 Shares (representing approximately 74.22% of the issued share capital of the Company as at the date of this announcement) and is directly wholly-owned by SWSC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SWSC”	Southwest Securities Co., Ltd, a company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange
“%”	per cent

By Order of the Board
Southwest Securities International Securities Limited
Wu Jian*
Chairman

Hong Kong, 3 July 2019

As at the date of this announcement, the executive directors of the Company are Mr. Wu Jian (Chairman), Mr. Pu Rui* (Chief Executive Officer), Ms. Wang Huiyun* and Mr. Xiong Xiaoqiang*; and the independent non-executive directors of the Company are Professor Wu Jun*, Mr. Meng Gaoyuan* and Dr. Guan Wenwei.*

* *For identification purpose only*