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*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

The holding company of Dah Sing Bank, Limited

(Stock Code: 2356)

## **REVISION OF ANNUAL CAP FOR 2016 OF AN EXISTING CONTINUING CONNECTED TRANSACTION**

Reference is made to the Announcement in relation to, among other things, the Continuing Connected Transaction.

The Directors and senior management of the Company have been closely monitoring, among other things, the Continuing Connected Transaction on a regular basis. Based on internal estimates and the anticipated growth in business, the Directors are of the view that the existing cap in respect of the total commissions received by, and expenses paid on behalf of and reimbursed to, the Group from DSIS, DSIA, MLIC and MIC contemplated under the Continuing Connected Transaction will not be sufficient for the Company's business needs<sup>1</sup>.

In order to meet the Company's business needs and based on the projected growth in the life assurance business for 2016, the Directors have decided to revise the existing cap for the financial year ending 31 December 2016 in respect of the total commissions received by, and expenses paid on behalf of and reimbursed to, the Group from DSIS, DSIA, MLIC and MIC under the Continuing Connected Transaction to the Revised Annual Cap for 2016.

Since the highest of the applicable Percentage Ratios (other than the profits ratio) of the Revised Annual Cap for 2016 is higher than 0.1% but less than 5%, the Continuing Connected Transaction (including the revised annual cap for the financial year ending 31 December 2016) falls under Rule 14A.76(2) of the Listing Rules and is subject to the reporting, announcement and annual review requirements but is exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

### **BACKGROUND**

### **DESCRIPTION OF AGREEMENTS UNDER THE CONTINUING CONNECTED TRANSACTION**

On 30 December 2013, DSIS and DSIA entered into distribution agreements and underlying agency agreements with DSB for the marketing and distribution of life and general insurance products through the branch network of DSB for a fixed term of three years with effect from 1 January 2014. On the same day, MIC and MLIC entered into distribution agreements and underlying agency agreements with BCM for the marketing and distribution of life and general insurance products through BCM's branch network for a fixed term of three years with effect from 1 January 2014.

<sup>1</sup> Assuming that the Share Sale Agreement has not completed on or before 31 December 2016.

Pursuant to the distribution agreement entered into by DSIS with DSB (the "**DSIS Distribution Agreement**"), DSB markets and distributes such life assurance products as agreed between the parties from time to time for the DSFH Group through its branch and other distribution networks and its subsidiaries.

Pursuant to the DSIS Distribution Agreement, DSB has entered into an agency agreement with DSIS (the "**DSIS Agency Agreement**") in respect of the sale of life assurance policies in return for commission payments as agreed between the parties from time to time. Under the terms of the DSIS Agency Agreement, the commission payable by DSIS to DSB in respect of such life assurance products shall vary, depending on the product type, between 1% and 50% of the first year's premium received, plus up to 24% of the renewal premiums in respect of certain policies.

Pursuant to the distribution agreement entered into by DSIA with DSB (the "**DSIA Distribution Agreement**"), DSB markets and distributes such general insurance and life assurance products as agreed between the parties from time to time for the DSFH Group through its branch and other distribution networks.

Pursuant to the DSIA Distribution Agreement, DSB has entered into an agency agreement with DSIA (the "**DSIA Agency Agreement**") in respect of the sale of certain general insurance and life assurance products in return for commission payments, as agreed between the parties from time to time. Under the terms of the DSIA Agency Agreement, the commissions payable by DSIA to DSB in respect of:

- (1) general insurance products shall vary, depending on the product type, between 1% and 30% of each year's premium received in respect of a new or renewal policy; and
- (2) life assurance products shall vary, depending on the product type, between 1% and 50% of the first year's premium received, plus up to 24% of the renewal premiums in respect of certain policies.

Pursuant to the distribution agreement entered into by MLIC with BCM (the "**MLIC Distribution Agreement**"), BCM markets and distributes such life assurance products as agreed between the parties from time to time for MLIC through its branch and other distribution networks.

Pursuant to the MLIC Distribution Agreement, BCM has entered into an agency agreement with MLIC (the "**MLIC Agency Agreement**") in respect of the sale of life assurance policies in return for commission payments as agreed between the parties from time to time. Under the terms of the MLIC Agency Agreement, the commissions payable by MLIC to BCM in respect of such life assurance products shall, initially, not be less than 10% of the first year's premium received and which may vary depending on the product type and change between the parties from time to time, and in respect of certain types of policies, an agreed percentage of renewal premiums.

Pursuant to the distribution agreement entered into by MIC with BCM (the "**MIC Distribution Agreement**"), BCM markets and distributes such general insurance products of MIC as agreed between the parties from time to time through its branch and other distribution networks.

Pursuant to the MIC Distribution Agreement, BCM has entered into an agency agreement with MIC (the "**MIC Agency Agreement**") in respect of the sale of general insurance products in return for commission payments, as agreed between the parties from time to time. Under the terms of the MIC Agency Agreement, the commissions payable by MIC to BCM in respect of general insurance products shall vary, depending on the product type, between 10% and 50% of each year's premium received in respect of new or renewal policies.

In respect of each of the DSIS, DSIA, MLIC and MIC Distribution Agreements (collectively the "**Distribution Agreements**"), DSIS and DSIA shall each reimburse or pay on behalf of DSB, and MLIC and MIC shall each reimburse or pay on behalf of BCM, agreed expenses including the registration fees for licences for the bank staff to sell insurance, sales incentives, marketing expenses and other costs and expenses related to the performance of the Distribution Agreements.

Each of the Distribution Agreements is on a mutually non-exclusive basis and for a three-year fixed term with effect from 1 January 2014. Each of the DSIS, DSIA, MLIC and MIC Agency Agreements (collectively the "**Agency Agreements**") is on a mutually non-exclusive basis for a three-year fixed term with effect from 1 January 2014, save that the provisions relating to the payment of outstanding renewal premiums shall remain in force until payment is received in full.

The distribution and agency arrangements described above, including the commission rates set out in the various sets of Distribution Agreements and Agency Agreements, are consistent with normal arrangements between banks and insurance companies in the Hong Kong and Macau markets, and provide the Group with insurance products and services to be offered to the customers of the banking subsidiaries of the Group. The distribution of different types of insurance products through the respective bank branches and other distribution networks of DSB and BCM in return for a commission income to be paid by the DSFH Group produces fee income which is of benefit to the Group.

Pursuant to the Announcement, among other things, the cap in relation to the total commissions received by, and expenses paid on behalf of and reimbursed to, the Group from DSIS, DSIA, MLIC and MIC contemplated under the Continuing Connected Transaction for the financial year ending 31 December 2016 would not exceed the annual limit of HK\$148,000,000.

### **REASONS FOR THE REVISED ANNUAL CAP FOR 2016**

The Directors and senior management of the Company have been closely monitoring, among other things, the Continuing Connected Transaction on a regular basis. The Directors note that for the first nine months of 2016, there has been a significant increase in the total commissions received by, and expenses paid on behalf of and reimbursed to, the Group from DSIS, DSIA, MLIC and MIC. The Directors believe that the overall increase is mainly attributable to the faster than expected growth in the new life business generated by DSB in selling DSLA life products. For the nine months ended 30 September 2016, the aggregate commissions received by, and expenses paid on behalf of and reimbursed to, the Group from DSIS, DSIA, MLIC and MIC (unaudited) was approximately HK\$130,262,000. Based on internal estimates and the anticipated growth in business, the Directors are of the view that the existing cap in respect of the total commissions received by, and expenses paid on behalf of and reimbursed to, the Group from DSIS, DSIA, MLIC and MIC contemplated under the Continuing Connected Transaction will not be sufficient for the Company's business needs<sup>2</sup>.

In order to meet the Company's business needs and based on the projected growth in the life assurance business for 2016, the Directors have decided to revise the existing cap for the financial year ending 31 December 2016 in respect of the total commissions received by, and expenses paid on behalf of and reimbursed to, the Group from DSIS, DSIA, MLIC and MIC under the Continuing Connected Transaction to the Revised Annual Cap for 2016.

Reference is also made to the Second Announcement, the Circular and the Third Announcement. As previously disclosed, upon completion of the Share Sale Agreement, DSIS, DSLA and MLIC will cease to be subsidiaries of DSFH and will become wholly owned subsidiaries of the Purchaser. Further, as previously disclosed, upon completion of the Share Sale Agreement, it is proposed that, among other things, the Purchaser shall enter into the Hong Kong Distribution Agreement through DSIS and DSLA with DSB (a direct wholly owned subsidiary of the Company) and the Macau Distribution Agreement through MLIC with BCM (an indirect wholly owned subsidiary of the Company). The DSIS Distribution Agreement and DSIS Agency Agreement will be terminated on the same day as the Hong Kong Distribution Agreement becomes effective and the MLIC Distribution Agreement and MLIC Agency Agreement will be terminated on the same day as the Macau Distribution Agreement becomes effective. As at the date of this announcement, the Share Sale Agreement has not completed. Notwithstanding the Revised Annual Cap for 2016, the Company does not currently envisage any change to be made to the caps for the Hong Kong Distribution Agreement and the Macau Distribution Agreement previously approved by the Company's shareholders at the EGM held on 5 August 2016.

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<sup>2</sup> Assuming that the Share Sale Agreement has not completed on or before 31 December 2016.

## **IMPLICATIONS UNDER THE LISTING RULES**

Since the highest of the applicable Percentage Ratios (other than the profits ratio) of the Revised Annual Cap for 2016 is higher than 0.1% but less than 5%, the Continuing Connected Transaction (including the revised annual cap for the financial year ending 31 December 2016) falls under Rule 14A.76(2) of the Listing Rules and is subject to the reporting, announcement and annual review requirements but is exempt from the requirement of independent shareholders' approval under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.68(8) of the Listing Rules, Messrs David Shou-Yeh Wong, Hon-Hing Wong (Derek Wong), Gary Pak-Ling Wang and Robert Tsai-To Sze, being directors having a connected relationship with the DSFH Group, have abstained from voting on the board resolutions regarding the Revised Annual Cap for 2016. The resolutions were voted and approved by Directors who are not connected to the Continuing Connected Transaction.

The Directors (including the independent non-executive directors), after reviewing the business needs of the Company, are of the view that the Revised Annual Cap for 2016, the terms of the Distribution Agreements and Agency Agreements subject to the revised annual cap and the transactions contemplated thereunder and the commission rates, and expenses to be paid and reimbursed are on normal commercial terms, in line with market rates for insurance products of similar types, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Notwithstanding the Revised Annual Cap for 2016, the Company does not currently envisage any change to be made to the caps for the Hong Kong Distribution Agreement and the Macau Distribution Agreement previously approved by the Company's shareholders at the EGM held on 5 August 2016.

## **INFORMATION ON THE COMPANY**

The Company is a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange. It is the holding company of various subsidiaries including DSB and BCM, both of which conduct banking business. Please refer to the below for further information on DSB and BCM.

## **INFORMATION ON THE PARTIES TO THE CONTINUING CONNECTED TRANSACTION**

### **(i) DSB**

DSB is a company incorporated in Hong Kong. It is a direct wholly owned subsidiary of the Company. It is a licensed bank in Hong Kong and is principally engaged in the provision of banking, financial and other related services in Hong Kong.

### **(ii) BCM**

BCM is a company incorporated in Macau. It is an indirect wholly owned subsidiary of the Company. It is a licensed bank in Macau and is principally engaged in the provision of banking services in Macau.

### **(iii) DSFH**

DSFH is a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange. DSFH is a substantial shareholder of the Company, holding as at the date of this announcement, approximately 74.50% of the issued share capital of the Company, and is therefore a connected person of the Company pursuant to the Listing Rules. DSFH is the company holding the insurance interests of the DSFH Group, and as at the date of this announcement, is the holding company of certain subsidiaries including DSIA, DSIS, DSLA, MIC and MLIC engaged in insurance or insurance related businesses. DSIA, DSIS, MIC and MLIC are parties to the agreements under the Continuing Connected Transaction. Upon completion of the Share Sale Agreement, DSIS, DSLA and MLIC will cease to be subsidiaries of DSFH and will become wholly owned subsidiaries of the Purchaser. DSIA and MIC will remain subsidiaries of DSFH after completion of the Share Sale Agreement.

(iv) DSIA

DSIA is a company incorporated in Hong Kong. DSIA is a wholly owned subsidiary of DSFH. DSIA is the general agent of Dah Sing Insurance Company (1976) Limited in Hong Kong, which is an authorised general insurance company in Hong Kong and is principally engaged in the underwriting of general insurance in Hong Kong. As DSFH is the Company's substantial shareholder, DSIA is a connected person of the Company pursuant to the Listing Rules.

(v) DSIS

DSIS is a company incorporated in Hong Kong. As at the date of this announcement, DSIS is a direct wholly owned subsidiary of DSFH and will become a wholly owned subsidiary of the Purchaser upon completion of the Share Sale Agreement. It is the general agent of DSLA in Hong Kong, which is an authorised life insurance company in Hong Kong and is principally engaged in the underwriting of life insurance in Hong Kong. As DSFH is the Company's substantial shareholder, as at the date of this announcement, DSIS is a connected person of the Company pursuant to the Listing Rules.

(vi) MIC

MIC is a company incorporated in Macau. MIC is a company which is 78% owned by DSMI Group Limited and 18% owned by DSGI (1) Limited. Both DSMI Group Limited and DSGI (1) Limited are wholly owned subsidiaries of DSFH. MIC is principally engaged in the underwriting of general insurance in Macau. As DSFH is the Company's substantial shareholder, MIC is a connected person of the Company pursuant to the Listing Rules.

(vii) MLIC

MLIC is a company incorporated in Macau. MLIC is a company which is 99.85% owned by MIC, 0.13% owned by DSLI (BVI) (1) Limited and 0.02% owned by DSLI (2) Limited. DSLI (BVI) (1) Limited and DSLI (2) Limited are both wholly owned subsidiaries of DSFH. As at the date of this announcement, MLIC is an indirect non-wholly owned subsidiary of DSFH and will become a wholly owned subsidiary of the Purchaser upon completion of the Share Sale Agreement. It is an authorised insurance company in Macau and is principally engaged in the underwriting of life insurance in Macau. As MIC is a connected person of the Company pursuant to the Listing Rules, and DSLI (BVI) (1) Limited and DSLI (2) Limited are both wholly owned subsidiaries of DSFH, and DSFH is the Company's substantial shareholder, as at the date of this announcement, MLIC is a connected person of the Company pursuant to the Listing Rules.

## DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below for the purposes of this announcement:

"Announcement"	the announcement of the Company dated 30 December 2013
"BCM"	Banco Comercial de Macau, S.A.
"Board"	the board of Directors of the Company
"Circular"	the circular of the Company dated 16 July 2016
"Company"	Dah Sing Banking Group Limited, a company incorporated in Hong Kong, whose shares are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Continuing Connected Transaction"	the continuing connected transaction contemplated under the DSIS Distribution Agreement, DSIS Agency Agreement, DSIA Distribution Agreement, DSIA Agency Agreement, MLIC Distribution Agreement, MLIC Agency Agreement, MIC Distribution Agreement and MIC Agency Agreement
"DSB"	Dah Sing Bank, Limited
"Directors"	the directors of the Company
"DSFH"	Dah Sing Financial Holdings Limited
"DSFH Group"	DSFH and its subsidiaries (but excluding the Group)
"DSIA"	Dah Sing Insurance Agency Limited
"DSIS"	Dah Sing Insurance Services Limited
"DSL A"	Dah Sing Life Assurance Company Limited
"EGM"	the extraordinary general meeting of the Company
"existing cap"	the existing annual cap of HK\$148,000,000, prior to the Revised Annual Cap for 2016, for the financial year ending 31 December 2016 in respect of the total commissions received by, and expenses paid on behalf of and reimbursed to, the Group from DSIS, DSIA, MLIC and MIC under the Continuing Connected Transaction
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Distribution Agreement"	the distribution agreement proposed to be entered into among DSIS, DSL A and DSB upon completion of the sale of all of the issued shares in the share capital of each of DSIS and DSL A under the Share Sale Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	Macau Special Administrative Region of the People's Republic of China
"Macau Distribution Agreement"	the distribution agreement proposed to be entered into between MLIC and BCM upon completion of the sale of all of the issued shares in the share capital of MLIC under the Share Sale Agreement
"MIC"	Macau Insurance Company Limited
"MLIC"	Macau Life Insurance Company Limited

"Percentage Ratios"	the percentage ratios set out in Rule 14.07 of the Listing Rules, (i.e. "assets ratio", "profits ratio", "revenue ratio", "consideration ratio" and "equity capital ratio", as such terms are defined in the Listing Rules)
"Purchaser"	the purchaser or its permitted assignee under the Share Sale Agreement
"Revised Annual Cap for 2016"	the revised annual cap of HK\$192,000,000 for the financial year ending 31 December 2016 in respect of the total commissions received by, and expenses paid on behalf of and reimbursed to, the Group from DSIS, DSIA, MLIC and MIC under the Continuing Connected Transaction
"Second Announcement"	the announcement of the Company dated 2 June 2016
"shareholders"	the shareholders of the Company
"Share Sale Agreement"	the share sale agreement dated 2 June 2016 entered into among DSFH, MIC and the Purchaser in relation to the sale of all of the issued shares in the share capital of each of DSIS, DSLA and MLIC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Third Announcement"	the announcement of the Company dated 5 August 2016

By Order of the Board  
**Dah Sing Banking Group Limited**  
**Doris Wai Nar Wong**  
*Company Secretary*

Hong Kong, 10 November 2016

*As at the date of this announcement, the Board of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Vice Chairman), Harold Tsu-Hing Wong (Managing Director and Chief Executive) and Gary Pak-Ling Wang as Executive Directors; Mr. Kenichi Yamato as Non-Executive Director; Messrs. Robert Tsai-To Sze, Andrew Kwan-Yuen Leung, Seng-Lee Chan and Yuen-Tin Ng as Independent Non-Executive Directors.*