大新銀行集團有限公司
DAH SING BANKING GROUP LIMITED

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

The holding company of Dah Sing Bank, Limited

(Stock code: 2356)

CONTINUING CONNECTED TRANSACTIONS

On 30 December 2016, various agreements with respect to (i) insurance services; (ii) lease and leaseback arrangements; (iii) banking arrangements; (iv) computer and administrative services and (v) distribution and agency agreements and other business referral services were entered into between members of the DSFH Group and the Group. As DSFH is the substantial shareholder of the Company, members of the DSFH Group (including DSIS, DSLA and MLIC as at the date of this announcement) constitute connected persons of the Company under the Listing Rules. The transactions contemplated under each of the agreements, which will be conducted on an on-going basis, also constitute continuing connected transactions under the Listing Rules.

As one or more of the applicable Percentage Ratios (other than the profits ratio) in respect of the annual caps for each of the continuing connected transactions contemplated under each of the agreements set out in this announcement are, on an annual basis, higher than 0.1% but are all less than 5%, these transactions are subject to the reporting, announcement and annual review requirements but are exempt from the requirements of independent shareholders' approval under Chapter 14A of the Listing Rules.

The Board (including the independent non-executive Directors) considers that the relevant agreements (and the continuing connected transactions contemplated under them) were entered into on normal commercial terms or on terms no less favourable than those available to independent third parties and were entered into on a continuing and regular basis and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the annual caps for each of the continuing connected transactions contemplated under the relevant agreements for each of the three years ending 31 December 2017, 2018 and 2019 are fair and reasonable.

1. INTRODUCTION

On 30 December 2016, various agreements with respect to (i) insurance services; (ii) lease and leaseback arrangements; (iii) banking arrangements; (iv) computer and administrative services; and (v) distribution and agency agreements and other business referral services were entered into between members of the DSFH Group and the Group. As DSFH is the substantial shareholder of the Company, members of the DSFH Group (including DSIS, DSLA and MLIC as at the date of this announcement) constitute connected persons of the Company under the Listing Rules. The transactions contemplated under each of the agreements, which will be conducted on an on-going basis, also constitute continuing connected transactions under the Listing Rules.

2. PARTIES AND CONNECTION OF THE PARTIES

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, and Vanishing Border.

- **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.

- **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.

- **Vanishing Border**

  Vanishing Border is a company incorporated in Hong Kong. It is a wholly owned subsidiary of DSB and an indirect wholly owned subsidiary of the Company. It currently is principally engaged in property investment.

The Company, through its respective banking and insurance brokerage subsidiaries, has been conducting continuing connected transactions with DSFH and/or the members of the DSFH Group:

- **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 74.49% 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 DSI (1976), DSIA, DSIS, DSLA, High Standard, MIC and MLIC, which are engaged in insurance, insurance related or property investment businesses. 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. DSI (1976), DSIA, High Standard and MIC will remain subsidiaries of DSFH after completion of the Share Sale Agreement.

- **DSI (1976)**

  DSI (1976) is a company incorporated in Hong Kong. DSI (1976) is a direct wholly owned subsidiary of DSFH. It 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, DSI (1976) is a connected person of the Company pursuant to the Listing Rules.

- **DSIA**

  DSIA is a company incorporated in Hong Kong. DSIA is a direct wholly owned subsidiary of DSFH and is an insurance agent in Hong Kong. As at the date of this announcement, it is the general agent of DSI (1976) in Hong Kong but will cease to be the general agent of DSI (1976) with effect from 1 January 2017. As DSFH is the Company's substantial shareholder, DSIA is a connected person of the Company pursuant to the Listing Rules.

- **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. 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.

- **DSLA**

  DSLA is a company incorporated in Bermuda. As at the date of this announcement, DSLA 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 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, DSLA is a connected person of the Company pursuant to the Listing Rules.

- **High Standard**

  High Standard is a company incorporated in the British Virgin Islands. High Standard is a direct wholly owned subsidiary of DSFH. It is principally engaged in property investment. As DSFH is the Company's substantial shareholder, High Standard is a connected person of the Company pursuant to the Listing Rules.

- **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.

- **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. 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.

3. CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

The Group has entered into the following continuing connected transactions contemplated under the relevant agreements which are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

3.1 Insurance services provided by DSI (1976), DSLA, MIC and MLIC

On 30 December 2013, the Company entered into a cooperation agreement with DSFH pursuant to which members of the DSFH Group would provide insurance services to DSB and other members of the Group (the **"Existing Cooperation Agreement"**). The Existing Cooperation Agreement is for a fixed term of three years with effect from 1 January 2014 and ending on 31 December 2016 (both days inclusive). The Existing Cooperation Agreement will be terminated upon the maturity of the term and a new cooperation agreement was entered into by the Company and DSFH on 30 December 2016 (the **"New Cooperation Agreement"**). The New Cooperation Agreement is for a fixed term of three years with effect from 1 January 2017 and ending on 31 December 2019 (both days inclusive).

Description of transaction contemplated under the New Cooperation Agreement:

The general insurance policies underwritten by DSI (1976) and MIC are in the name, and for the benefit, of members of the Group and their respective customers. The life insurance policies underwritten by DSLA and MLIC are in relation to the provision of insurance cover for the death and/or critical illness of certain borrowing customers of DSB and/or employees of members of the Group.

The master policies between DSLA and DSB in relation to the provision of insurance cover for their respective customers are for a fixed term of three years with effect from 1 January 2017.

DSI (1976) underwrites general insurance policies in the name, and for the benefit, of members of the Group and their respective customers including policies covering domestic motor, property all risks, public liability, money, electronic equipment, employees' compensation and group personal accident. Certain policies are subject to renewal annually.

DSLA underwrites life insurance policies to cover the death and/or critical illness of certain borrowing customers of DSB and the employees of members of the Group (other than BCM). The provision of the insurance cover for customers is set out in the terms and conditions of the relevant bank borrowing arrangement. Such policies can be terminated within 14 – 31 days in the event of non-payment of premiums.

MIC underwrites general insurance policies in the name, and for the benefit, of BCM and its customers including policies covering medical, personal accident, employees' compensation, motor fleet, properties, civil liability and money. Certain policies are subject to renewal annually.

MLIC underwrites life insurance policies to cover the death and/or critical illness of BCM's employees. Such policies are subject to renewal annually.

The premiums payable under such insurance policies are payable in arrears on a monthly, yearly or other basis, depending on the type of insurance policy.

Under the New Cooperation Agreement, either party to the agreement may terminate the agreement by giving one month notice in advance to the other party without having to pay penalty.

Pricing:

The insurance premiums payable by the Group shall be determined after arm's length negotiation and with reference to quotations sought from third party insurance companies on major types of insurance policies. The terms of the policies including premium rates and insurance coverage offered to the Group by the insurance subsidiaries of DSFH shall be compared against the quotations obtained, which shall be no less favourable than the terms for similar policies available from independent third parties.

Reasons for such transaction:

The insurance policies are procured by the Group to enable certain of the Company's subsidiaries, namely DSB and BCM, to comply with relevant regulatory requirements in reducing the risks to the Group's assets, businesses and operations and/or to provide additional services to the Group's customers. In addition, the Directors consider that the insurance services provided by DSI (1976), DSLA, MIC and MLIC are effective and the fees proposed by DSI (1976), DSLA, MIC and MLIC respectively are comparable to those offered by other insurance companies in the market.

Historical amounts and future caps:

In respect of the general insurance policies underwritten by DSI (1976) and MIC in the name, and for the benefit, of the members of the Group or their respective customers, the actual amount of premiums payable to DSI (1976) and MIC on such policies for the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016 were HK$7.8 million, HK$8.4 million and HK$6.5 million (unaudited), respectively.

The maximum annual aggregate amount of the premiums payable to DSI (1976) and MIC for each of the three financial years ending 31 December 2017, 2018 and 2019 is estimated not to exceed the annual limit of HK$15.0 million.

	Historical Caps			Historical Figures			Future Caps		
HK$ million	**Annual cap for the year ended 31 Dec 2014**	**Annual cap for the year ended 31 Dec 2015**	**Annual cap for the year ending 31 Dec 2016**	**Historical annual amount for the year ended 31 Dec 2014**	**Historical annual amount for the year ended 31 Dec 2015**	**Unaudited historical amount for the period from 1 Jan to 31 Oct 2016**	**Annual cap for the year ending 31 Dec 2017**	**Annual cap for the year ending 31 Dec 2018**	**Annual cap for the year ending 31 Dec 2019**
Transaction									
Premiums payable to members of the DSFH Group	10.2	10.2	10.2	7.8	8.4	6.5	15.0	15.0	15.0

In respect of the life insurance policies underwritten by DSLA and MLIC to cover the death and/or critical illness of certain borrowing customers of DSB and/or employees of members of the Group, the actual aggregate premiums payable to DSLA and MLIC on such policies for the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016 were HK$9.1 million, HK$10.9 million and HK$7.2 million (unaudited), respectively.

The maximum annual aggregate amount of the premiums payable to DSLA and MLIC for each of the three financial years ending 31 December 2017, 2018 and 2019 is estimated not to exceed the annual limit of HK$15.0 million.

	Historical Caps			Historical Figures			Future Caps		
HK$ million	**Annual cap for the year ended 31 Dec 2014**	**Annual cap for the year ended 31 Dec 2015**	**Annual cap for the year ending 31 Dec 2016**	**Historical annual amount for the year ended 31 Dec 2014**	**Historical annual amount for the year ended 31 Dec 2015**	**Unaudited historical amount for the period from 1 Jan to 31 Oct 2016**	**Annual cap for the year ending 31 Dec 2017**	**Annual cap for the year ending 31 Dec 2018**	**Annual cap for the year ending 31 Dec 2019**
Transaction									
Premiums payable to members of the DSFH Group	15.3	15.3	15.3	9.1	10.9	7.2	15.0	15.0	15.0

Based on the above tables, the total annual aggregate amount of the premiums payable in respect of the insurance services provided by DSI (1976), DSLA, MIC and MLIC for each of the three financial years ending 31 December 2017, 2018 and 2019 is expected not to exceed the annual limit of HK$30.0 million.

Basis for such future caps:

The annual monetary caps above in relation to each of the financial years ending 31 December 2017, 2018 and 2019 have been ascertained by reference to the premiums paid in the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016 (unaudited) and calculated on the basis of expected market premiums multiplied by the amount of cover required.

In arriving at the above monetary caps, the Directors have considered:

- that the premiums of major policies had increased significantly in recent years principally due to a significant increase in claims;
- the expected growth in the Group's lending businesses;
- the increase in the amount of credit insurance to be provided to borrowing customers; and
- the increase in the number of employees in the Group.

The Directors believe that the general insurance policies underwritten by DSI (1976) and MIC are provided to the Group on DSI (1976)'s and MIC's normal, written commercial terms. The Directors believe that the insurance policies underwritten by DSLA and MLIC are provided to the Group on DSLA's and MLIC's normal, written commercial terms.

3.2 **Lease and leaseback arrangements**

Description of transaction:

(a) Lease agreements in relation to Island Place Tower

Pursuant to the lease agreements entered into on 30 December 2013 (including the Existing IPT 19th Floor Lease Agreement (as defined below) which was further amended on 19 October 2015[1]) between DSIS and DSB (collectively the **"Existing DSIS Lease Agreements"**), DSIS has leased from DSB:

(1) the whole of the 18th Floor of Island Place Tower, Island Place, 510 King's Road, North Point, Hong Kong with a lettable floor area of 15,540 square feet at a monthly rent of HK$621,600 exclusive of management fees, government rates, electricity, service charges and air-conditioning charges. The annual rent together with these excluded items was estimated not to exceed HK$9.7 million per annum (the "**Existing IPT 18th Floor Lease Agreement**");

(2) a portion of the 19th Floor of Island Place Tower, Island Place, 510 King's Road, North Point, Hong Kong with a lettable floor area of 3,505 square feet at a monthly rent of HK$133,190 exclusive of management fees, government rates, electricity, service charges and air-conditioning charges. The annual rent together with these excluded items was estimated not to exceed HK$2.2 million per annum (the "**Existing IPT 19th Floor Lease Agreement**"); and

(3) a portion of the 20th Floor of Island Place Tower, Island Place, 510 King's Road, North Point, Hong Kong with a lettable floor area of 6,402 square feet at a monthly rent of HK$268,884 exclusive of management fees, government rates, electricity, service charges and air-conditioning charges. The annual rent together with these excluded items was estimated not to exceed HK$4.3 million per annum (the "**Existing IPT 20th Floor Lease Agreement**").

The Existing DSIS Lease Agreements will expire on 31 December 2016.

The arrangements under the Existing DSIS Lease Agreements have respectively been renewed together in one agreement on 30 December 2016 as described below:

The Existing IPT 18th Floor Lease Agreement, the Existing IPT 19th Floor Lease Agreement and the Existing IPT 20th Floor Lease Agreement will be terminated upon the maturity of the respective lease terms and a new lease agreement was entered into between DSIS and DSB on 30 December 2016 (the "**New DSIS Lease Agreement**"). Pursuant to the New DSIS Lease Agreement, DSIS has

[1] Please refer to the announcement of the Company dated 19 October 2015.

leased the whole of the 18th Floor, Units 3 to 4A of the 19th Floor and a portion of the 20th Floor of Island Place Tower, Island Place, 510 King's Road, North Point, Hong Kong with a total lettable floor area of 24,750 square feet from DSB. The New DSIS Lease Agreement is for a term of two years commencing on 1 January 2017 and ending on 31 December 2018 (both dates inclusive), at a monthly rent of HK$1,100,000 exclusive of management fees, government rates, electricity, service charges and air-conditioning charges. The annual rent together with these excluded items is estimated not to exceed HK$18.2 million per annum.

Pursuant to a lease agreement entered into on 30 December 2013 between DSIA and DSB (the "**Existing DSIA Lease Agreement**"), DSIA has leased a portion of the 20th Floor of Island Place Tower, Island Place, 510 King's Road, North Point, Hong Kong with a lettable floor area of 2,623 square feet from DSB. The Existing DSIA Lease Agreement is for a term of three years commencing on 1 January 2014 and ending on 31 December 2016 (both dates inclusive) at a monthly rent of HK$102,297 exclusive of management fees, government rates, electricity, service charges and air-conditioning charges. The annual rent together with these excluded items was estimated not to exceed HK$1.6 million per annum.

The Existing DSIA Lease Agreement will be terminated upon the maturity of the lease term and a new lease agreement was entered into between DSI (1976) and DSB on 30 December 2016 (the **"DSI (1976) Lease Agreement"**). Pursuant to the DSI (1976) Lease Agreement, DSI (1976) has leased a portion of the 20th Floor of Island Place Tower, Island Place, 510 King's Road, North Point, Hong Kong with a lettable floor area of 2,573 square feet from DSB.

The DSI (1976) Lease Agreement is for a term of three years commencing on 1 January 2017 and ending on 31 December 2019 (both dates inclusive) at a monthly rent of HK$115,000 exclusive of management fees, government rates, electricity, service charges and air-conditioning charges. The annual rent together with these excluded items is estimated not to exceed HK$2.0 million per annum.

Under the New DSIS Lease Agreement and the DSI (1976) Lease Agreement, either party to the agreement shall, starting from the first anniversary of the commencement of the agreement, have the right to terminate the respective lease by giving two months' prior written notice to the other party without having to pay penalty.

(b) Lease agreement in relation to Shenzhen Development Centre

Pursuant to a lease agreement entered into on 30 December 2013 between DSLA and Vanishing Border, a wholly owned subsidiary of DSB (the **"Existing Shenzhen Lease Agreement"**), DSLA has leased a portion of Room 1504 on the 15th Floor of the Shenzhen Development Centre with a gross floor area of 132 square metres from Vanishing Border.

The Existing Shenzhen Lease Agreement is for a term of three years commencing on 1 January 2014 and ending on 31 December 2016 (both dates inclusive) at a monthly rent of HK$11,756 exclusive of management fees, electricity, service charges, air-conditioning charges and telephone fees. The annual rent together with these excluded items was estimated not to exceed HK$0.2 million per annum.

The Existing Shenzhen Lease Agreement will be terminated upon the maturity of the lease term and a new lease agreement was entered into between DSLA and Vanishing Border on 30 December 2016 (the "**New Shenzhen Lease Agreement**"). The New Shenzhen Lease Agreement is for a term of two years commencing on 1 January 2017 and ending on 31 December 2018 (both dates inclusive) at a monthly rent of HK$13,296 exclusive of management fees, electricity, service charges, air-conditioning charges and telephone fees. The annual rent together with these excluded items is estimated not to exceed HK$0.2 million per annum.

(c) Lease agreements in relation to the BCM Building

Two lease agreements were entered into between MIC and BCM on 30 December 2013 (together, the "**Existing MIC Lease Agreements**"). Pursuant to the Existing MIC Lease Agreements, MIC has leased the 10th and 11th Floors, respectively, of the BCM Building, Avenida da Praia Grande No. 572-594, Macau, with a total lettable floor area of approximately 924 square metres from BCM.

The Existing MIC Lease Agreements are each for a term of three years commencing on 1 January 2014 and ending on 31 December 2016 (both dates inclusive), at a monthly rent of MOP147,000 (approximately HK$143,000). The annual rent together with these excluded items was estimated not to exceed MOP1.8 million (approximately HK$1.8 million) per annum.

The Existing MIC Lease Agreements will be terminated upon the maturity of the lease term and two new lease agreements were entered into between MIC and BCM on 30 December 2016 (the **"New MIC Lease Agreements"**). The New MIC Lease Agreements are each for a term of three years commencing on 1 January 2017 and ending on 31 December 2019 (both dates inclusive) at a total monthly rent of MOP238,960 (approximately HK$232,000). The annual rent together with the management fees, electricity, service charges, air-conditioning charges and telephone fees are estimated not to exceed MOP2.9 million (approximately HK$2.8 million) per annum.

Under the New MIC Lease Agreements, either party to the agreement shall, starting from the first anniversary of the commencement of the agreement, have the right to terminate the respective lease by giving two months' prior written notice to the other party without having to pay penalty.

(d) Leaseback arrangement

DSB entered into a leaseback agreement with DSLA on 28 December 2013 (the "**Existing Leaseback Agreement**") relating to a portion of Flat A on Basement and Portion AA on Ground Floor of Thai Kong Building, No. 482 Hennessy Road, Hong Kong with a lettable floor area of 2,349 square feet (the "**Premises**") which have been leased by DSLA to DSB immediately following the disposal of, inter alia, the Premises by DSB to DSLA on 28 December 2007. The Premises have been used by DSB as bank branch premises for around 9 years. Due to the strategic location of the Premises and the operational needs of the Group, the Directors consider the lease of the Premises to be conducive to the business requirements, operations and efficiency of the Group and therefore of benefit to the Group as a whole.

The Existing Leaseback Agreement was for a term of three years commencing on 28 December 2013 and ended on 27 December 2016 (both days inclusive) at a monthly rent of HK$630,000. The Existing Leaseback Agreement was terminated upon the maturity of the lease term and a new lease agreement was entered into between DSB and DSLA on 30 December 2016 (the "**New Leaseback Agreement**"). The New Leaseback Agreement relating to the Premises is for a term of three years commencing on 28 December 2016 and ending on 27 December 2019 (both days inclusive) at a monthly rent of HK$430,000 exclusive of management fees, government rates, electricity service charges and air-conditioning charges which was agreed after arm's length discussions between DSB and DSLA with reference to the location and condition of the Premises. The annual rent together with these excluded items under the Existing Leaseback Agreement was estimated not to exceed HK$8.5 million per annum. The annual rent together with these excluded items under the New Leaseback Agreement is estimated not to exceed HK$5.5 million per annum.

Under the New Leaseback Agreement, either party to the agreement shall, starting from the first anniversary of the commencement of the agreement, have the right to terminate the agreement by giving two months' prior written notice to the other party without having to pay penalty.

(e) Lease agreement from a member of DSFH Group

Pursuant to the lease agreement entered into on 30 December 2013 between DSB and High Standard (the "**High Standard Lease Agreement**"), DSB agreed to lease from High Standard a portion of the 17th Floor of Island Place Tower, Island Place, 510 King's Road, North Point, Hong Kong (the "**Premises at 17/F., IPT**") as its office premises with a lettable floor area of approximately 4,581 square feet for a term of 3 years commencing from 1 January 2014 and expiring on 31 December 2016 (both days inclusive) at a monthly rent of HK$174,078 (exclusive of management charges, Government rates and other charges but inclusive of Government rent). The annual rent together with the excluded items was estimated not to exceed HK$2.8 million per annum.

The High Standard Lease Agreement will be terminated upon the maturity of the lease term and a new lease agreement was entered into between DSB and High Standard on 30 December 2016 (the **"New High Standard Lease Agreement"**). The New High Standard Lease Agreement is for a term of three years commencing on 1 January 2017 and ending on 31 December 2019 (both dates inclusive) at a monthly rent of HK$200,000 (exclusive of management charges, Government rates and other charges but inclusive of Government rent). The annual rent together with the excluded items is estimated not to exceed HK$3.4 million per annum.

Under the New High Standard Lease Agreement, either party to the agreement shall, starting from the first anniversary of the commencement of the agreement, have the right to terminate the agreement by giving two months' prior written notice to the other party without having to pay penalty.

Pricing:

The monthly rentals have been determined after arm’s length negotiation and with reference to information of market rents of relevant properties provided by independent professional surveyors.

Reasons for such transactions:

Due to the operational set-up and close business co-operation between the subsidiaries of the Company and the insurance subsidiaries of DSFH, the Directors consider the leases of the above premises (i.e. premises mentioned in (a), (b), (c) and (d) above) entered into by subsidiaries of the Company with members of DSFH Group are conducive to the business requirements, operations and efficiency of the Group or otherwise provide a steady income to the Company, and therefore are of benefit to the Group as a whole. Payment under the respective lease agreements shall be made by cheque(s) in arrears.

In relation to the High Standard Lease Agreement, at present, approximately half of the 17th Floor of Island Place Tower, 510 King's Road, North Point, Hong Kong is owned by DSB and the remaining units on the same floor is owned by High Standard. Given that (i) the available floor area of the properties in Island Place Tower owned by DSB does not fit its current business needs; and (ii) the lease of an office space on the 17th Floor at Island Place Tower would be more convenient to the Group as it is the same floor where the Group's other back office operations are, the Directors consider that the lease of the Premises at 17/F., IPT to be conducive to the business requirements, operations and efficiency of the Group and therefore of benefit to the Group as a whole.

Historical amounts and future caps:

For the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016, the actual aggregate amount payable to the Group under the Existing DSIS Lease Agreements, together with associated management fees, government rates, electricity, service charges and air-conditioning charges was approximately HK$16.2 million, HK$15.9 million and HK$12.5 million (unaudited), respectively. The annual aggregate amount payable under the New DSIS Lease Agreement, together with associated management fees, government rates, electricity, service charges and air-conditioning charges is estimated not to exceed the annual limit of HK$18.2 million per annum for each of the two financial years ending 31 December 2017 and 2018.

For the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016, the actual aggregate amount payable to the Group under the Existing DSIA Lease Agreement, together with associated management fees, government rates, electricity, service charges and air-conditioning charges was approximately HK$1.6 million, HK$1.6 million and HK$1.3 million (unaudited), respectively. The annual aggregate amount payable under the DSI (1976) Lease Agreement, together with associated management fees, government rates, electricity, service charges and air-conditioning charges is estimated not to exceed the annual limit of HK$2.0 million per annum for each of the three financial years ending 31 December 2017, 2018 and 2019.

For the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016, the actual aggregate amount payable under the Existing Shenzhen Lease Agreement, together with associated management fees, electricity, service charges, air-conditioning charges and telephone fees was approximately HK$0.1 million, HK$0.1 million and HK$0.1 million (unaudited), respectively. The annual aggregate amount payable under the New Shenzhen Lease Agreement, together with associated management fees, electricity, service charges, air-conditioning charges, telephone fees and property tax is estimated not to exceed the annual limit of HK$0.2 million per annum for each of the two financial years ending 31 December 2017 and 2018.

For the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016, the actual aggregate amount payable under the Existing MIC Lease Agreements was approximately MOP1.8 million (approximately HK$1.7 million), MOP1.8 million (approximately HK$1.7 million) and MOP1.5 million (approximately HK$1.4 million) (unaudited), respectively. The annual aggregate amount payable under the New MIC Lease Agreements is estimated not to exceed the annual limit of MOP2.9 million (approximately HK$2.8 million) per annum for each of the three financial years ending 31 December 2017, 2018 and 2019.

For the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016, the actual aggregate amount payable by the Group under the Existing Leaseback Agreement was approximately HK$7.7 million, HK$7.6 million and HK$6.3 million (unaudited), respectively. The annual aggregate amount payable under the New Leaseback Agreement is estimated not to exceed the annual limit of HK$5.5 million per annum for each of the three financial years ending 31 December 2017, 2018 and 2019.

For the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016, the actual aggregate amount payable by the Group under the High Standard Lease Agreement was approximately HK$2.1 million, HK$2.1 million and HK$1.7 million (unaudited), respectively. The annual aggregate amount payable under the New High Standard Lease Agreement is estimated not to exceed the annual limit of HK$3.4 million per annum for each of the three financial years ending 31 December 2017, 2018 and 2019.

Based on the above, the total amount payable under the New DSIS Lease Agreement, the DSI (1976) Lease Agreement, the New Shenzhen Lease Agreement and the New MIC Lease Agreements (together, the **"New Lease Agreements"**) for each of the two financial years ending 31 December 2017 and 31 December 2018 is estimated not to exceed the annual limit of HK$23.2 million and for the financial year ending 31 December 2019, is estimated not to exceed the annual limit of HK$4.8 million.

The total amount together with the estimated management fees, government rates, electricity, service charges and air-conditioning charges, payable by the Group under the New Leaseback Agreement and the New High Standard Lease Agreement is estimated not to exceed the annual cap of HK$8.9 million for each of the three financial years ending 31 December 2017, 2018 and 2019.

Basis for such future caps:

In respect of the New DSIS Lease Agreement and the DSI (1976) Lease Agreement, the monthly rental has been ascertained based on advice provided by Savills Valuation and Professional Services Limited, an independent professional surveyor.

In respect of the New Shenzhen Lease Agreement, the monthly rental has been ascertained based on advice provided by DTZ Debenham Tie Leung Shenzhen Valuation Company Limited, an independent professional surveyor.

In respect of the New MIC Lease Agreements, the monthly rental has been ascertained based on advice provided by Nam Tung (Macao) Investment Limited, an independent professional surveyor in Macau.

In arriving at the above caps, the Directors have considered:

- the information of market rents of relevant properties provided by the independent professional surveyors; and
- the benefit (which includes the provision of a reasonable and steady income and maintenance of close business co-operation between the Group and members of DSFH Group) to the Group's operational efficiency in leasing some of the Group's office premises (which are due to its initial designs and set-up not likely to be used by the Group for its own operations in the near future) to the DSFH Group.

In respect of the New Leaseback Agreement and the New High Standard Lease Agreement, the Directors have taken into consideration the valuation report(s) provided by Savills Valuation and Professional Services Limited, an independent professional surveyor, in that the rental value is in line with the current market rent of similar properties in the same area, as well as the benefit to the Group's operational efficiency in leasing the Premises and the Premises at 17/F., IPT.

The Board (including the independent non-executive Directors) considers that the New Lease Agreements, the New Leaseback Agreement and the New High Standard Lease Agreement are on normal commercial terms, 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.

3.3 Banking arrangements provided by the Group for companies within the DSFH Group

Description of transaction:

DSB and other members of the Group provide standard banking services to members of the DSFH Group including cheque clearing, autopay, cheque and deposit bank accounts, credit card merchant facilities, co-branded credit cards and investment dealing.

The banking services in respect of cheque clearing, autopay, cheque and deposit accounts are provided to the DSFH Group in the same way as they are provided to other customers of the Group under standard account opening and other forms. The credit card merchant facilities and co-brand credit card arrangements are provided under normal commercial contracts and are at market standard. The standard market practice for credit card merchant facilities is not to provide for a fixed term, but allow for termination at the option of the bank by giving written notice. The co-brand credit card arrangements between the Group and the DSFH Group can be terminated after the first two years by either party giving not less than six months' notice in writing. All such banking services, by their nature, are not normally provided for a fixed term. Accordingly, the banking arrangement between the Group and the DSFH Group are not for a fixed term.

Pricing:

The banking service fees charged to companies of the DSFH Group shall be consistent with the scale of fees and charges adopted by the Group in providing services to third party customers. The credit card merchant fees receivable by the Group shall be determined after arm's length negotiation and with reference to the charging rates in the open market, which shall be no less favourable than the rates for similar transactions with independent third parties.

Reasons for the transaction:

The banking services provided by the Company's banking subsidiaries to the companies within the DSFH Group are banking services and arrangements normally provided by the Group to its other customers and are conducted on normal commercial terms. The provision of such banking services by the Group to the DSFH Group enables the Group to earn reasonable income consistent with the nature and types of the banking services.

Historical amounts and future caps:

The actual aggregate annual bank charges payable to DSB and other members of the Group by members of the DSFH Group for the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016 were HK$8.0 million, HK$8.8 million and HK$8.4 million (unaudited) respectively.

The maximum aggregate annual bank charges payable to DSB and other members of the Group for each of the three financial years ending 31 December 2017, 2018 and 2019 is estimated not to exceed the annual limit of HK$16.0 million.

	Historical Caps			Historical Figures			Future Caps		
HK$ million	**Annual cap for the year ended 31 Dec 2014**	**Annual cap for the year ended 31 Dec 2015**	**Annual cap for the year ending 31 Dec 2016**	**Historical annual amount for the year ended 31 Dec 2014**	**Historical annual amount for the year ended 31 Dec 2015**	**Unaudited historical amount for the period from 1 Jan to 31 Oct 2016**	**Annual cap for the year ending 31 Dec 2017**	**Annual cap for the year ending 31 Dec 2018**	**Annual cap for the year ending 31 Dec 2019**
Transaction									
Aggregate annual bank charges payable to DSB and other members of the Group	10.7	10.7	10.7	8.0	8.8	8.4	16.0	16.0	16.0

Basis for such future caps:

In respect of the bank charges payable to DSB and other members of the Group, charges are calculated on the basis of the bank charges applied to the particular banking services utilised.

In arriving at the above monetary caps, the Directors have considered:

- the standard banking and service fees charged to the Group's customers;
- the estimated transactions or business volumes of various banking services with the companies within the DSFH Group; and
- the expected increases in the costs of the services as well as the volume of the transactions.

The Directors are of the view that such charges are in line with the prevailing market rates.

Deposits placed at the banking subsidiaries of the Group by members of the DSFH Group

The banking subsidiaries of the Group provide commercial banking services and products to their customers in the ordinary and usual course of their businesses. Such services and products include the taking of deposits (including fixed and floating term deposits and deposits at call). Customers who place deposits with the banking subsidiaries of the Group include members of the DSFH Group. For purposes of the Listing Rules, the placing of deposits provided by members of the DSFH Group constitute continuing connected transactions within the meaning of Chapter 14A of the Listing Rules.

The Directors confirm that the deposits placed by members of the DSFH Group at the banking subsidiaries of the Group are at market rates and on normal commercial terms that are comparable or no more favourable than those offered to independent third parties and that no security over the assets of the Group is granted in respect of such financial assistance. On that basis, such continuing connected transactions are exempt from complying with the reporting, disclosure and independent shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

3.4 Computer and Administrative Services Agreement with DSFH

On 30 December 2013, DSB and BCM (a DSB subsidiary) entered into a computer and administrative services agreement with DSFH (the "**Existing Services Agreement**"). The Existing Services Agreement is for a fixed term of three years with effect from 1 January 2014 and ending on 31 December 2016. On 30 December 2016, DSB and BCM entered into a new computer and administrative services agreement with DSFH (the **"New Services Agreement"**), for a fixed term of three years with effect from 1 January 2017 and ending on 31 December 2019.

Description of transaction:

Pursuant to the New Services Agreement, DSB and BCM have agreed to provide members of the DSFH Group with certain computer and administrative services. These services principally consist of the following (collectively, the **"Services"**):

- computer services including data processing, printing and enveloping, system development, technical support, disaster recovery and contract management;
- administrative, company secretarial, internal audit, compliance, operational, risk management, investment custodian and treasury operations; and
- secondment of, and provision of services by, staff to the DSFH Group.

Pricing:

The administrative and computer service fees shall be charged on a cost-recovery basis. The operating costs of support functions shall be allocated to the respective entities of the DSFH Group based on the level of usage of the Services.

Reasons for the transaction:

With the stronger pool of resources and functional expertise of DSB which historically has been operating to provide administrative and computer services to other companies within the DSFH Group on a cost-recovery basis, the provision of the Services to the DSFH Group at a fee enables the Group to continue to expand its scale and operational capabilities while costs incurred by the Group in providing the Services are recovered from the DSFH Group.

Historical amounts and future caps:

As the New Services Agreement is for a fixed term of three years with effect from 1 January 2017, the future cap for this category of continuing connected transaction has been set for each of the financial years ending 31 December 2017, 2018 and 2019 only. Payment under the New Services Agreement shall be made by cheque(s) in arrears.

The actual annual fee payable to DSB by the DSFH Group for the provision of the Services for the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016 were HK$16.2 million, HK$17.7 million and HK$15.1 million (unaudited), respectively.

The annual fee payable to DSB and BCM for each of the three financial years ending 31 December 2017, 2018 and 2019 is estimated not to exceed the annual limit of HK$30.0 million.

HK$ million	Historical Caps			Historical Figures			Future Caps		
	Annual cap for the year ended 31 Dec 2014	Annual cap for the year ended 31 Dec 2015	Annual cap for the year ending 31 Dec 2016	Historical annual amount for the year ended 31 Dec 2014	Historical annual amount for the year ended 31 Dec 2015	Unaudited historical amount for the period from 1 Jan to 31 Oct 2016	Annual cap for the year ending 31 Dec 2017	Annual cap for the year ending 31 Dec 2018	Annual cap for the year ending 31 Dec 2019
Transaction									
Fee payable by the DSFH Group to DSB and BCM for the provision of the Services	20.1	20.1	20.1	16.2	17.7	15.1	30.0	30.0	30.0

Basis for such future caps:

The fee payable to DSB has been determined by reference to the estimated cost of providing the Services and the fixed fee which has been set for the three financial years ending 31 December 2016.

In arriving at the above monetary caps, the Directors have considered:

- the estimated resources available to the Group in the three financial years ending 31 December 2019 and estimated increase in the cost in providing the Services;
- computer licences and service contracts with external parties, and computer expertise of the Group; and
- discussions made between DSB, BCM and companies within the DSFH Group on estimated service requirements relative to the estimated growth of the businesses of the DSFH Group.

The Board (including the independent non-executive Directors) is of the view that the continuing provision of the Services under the New Services Agreement will be on normal commercial terms, in the ordinary and usual course of business of the Group, is fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

3.5 **Distribution and agency agreements and other business referral services**

(a) Distribution and Agency Agreements with DSIS, DSI (1976), DSIA, MIC and MLIC

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 and ending on 31 December 2016. 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 and ending on 31 December 2016.

On 30 December 2016, DSIS, DSI (1976) and DSIA entered into new 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 2017 and ending on 31 December 2019. With effect from 1 January 2017, DSIA will cease to be the general agent of DSI (1976) in Hong Kong. As such, DSI (1976) has directly engaged DSB to distribute its general insurance products. However, DSIA remains the agent for several authorised insurance companies in Hong Kong and has therefore also entered into new distribution and underlying agency agreements with DSB for the marketing and distribution of insurance products of such insurance companies.

On 30 December 2016, 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 2017 and ending on 31 December 2019.

Description of transactions contemplated under the various distribution and agency agreements between the Group and members of the DSFH Group:

Pursuant to the new distribution agreement entered into by DSIS with DSB (the **"New DSIS Distribution Agreement"**), DSB will market and distribute such life insurance 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 New DSIS Distribution Agreement, DSB has entered into a new agency agreement with DSIS (the **"New DSIS Agency Agreement"**) in respect of the sale of life insurance policies in return for commission payments as agreed between the parties from time to time. Under the terms of the New DSIS Agency Agreement, the commission payable by DSIS to DSB in respect of such life insurance products shall, initially, be between 3% and 52% (depending on the product type) of the first year's premium received plus up to 24% of the renewal premiums in respect of certain policies, but which may vary between the parties from time to time.

Pursuant to the new distribution agreement entered into by DSI (1976) with DSB (the "**New DSI (1976) Distribution Agreement**"), DSB will market and distribute such general insurance products as agreed between the parties from time to time for the DSFH Group through its branch and other distribution networks.

Pursuant to the New DSI (1976) Distribution Agreement, DSB has entered into a new agency agreement with DSI (1976) (the **"New DSI (1976) Agency Agreement**") in respect of the sale of certain general insurance products in return for commission payments, as agreed between the parties from time to time. Under the terms of the New DSI (1976) Agency Agreement, the commission payable by DSI (1976) to DSB shall, initially, be between 20% and 55% (depending on the product type) of each year's premium received in respect of a new or renewal policy, but which may vary between the parties from time to time.

Pursuant to the new distribution agreement entered into by DSIA with DSB (the **"New DSIA Distribution Agreement"**), DSB will market and distribute such insurance products as agreed between the parties from time to time through its branch and other distribution networks.

Pursuant to the New DSIA Distribution Agreement, DSB has entered into a new agency agreement with DSIA (the **"New DSIA Agency Agreement"**) in respect of the sale of certain insurance products in return for commission payments, as agreed between the parties from time to time. Under the terms of the New DSIA Agency Agreement, the commission payable by DSIA to DSB shall be 50% of the commission earned by DSIA or at such rate as agreed by both parties from time to time.

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

Pursuant to the New MIC Distribution Agreement, BCM has entered into a new agency agreement with MIC (the **"New 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 New MIC Agency Agreement, the commission payable by MIC to BCM in respect of general insurance products shall, initially, be between 10% and 50% (depending on the product type) of each year's premium received in respect of new or renewal policies, but which may vary between the parties from time to time.

Pursuant to the new distribution agreement entered into by MLIC with BCM (the **"New MLIC Distribution Agreement"**), BCM will market and distribute such life insurance products as agreed between the parties from time to time for MLIC through its branch and other distribution networks.

Pursuant to the New MLIC Distribution Agreement, BCM has entered into a new agency agreement with MLIC (the **"New MLIC Agency Agreement"**) in respect of the sale of life insurance policies in return for commission payments as agreed between the parties from time to time. Under the terms of the New MLIC Agency Agreement, the commission payable by MLIC to BCM shall, initially, be between 10% and 47.8% (depending on the product type and currency of the product) of the first year's premium received plus up to 15% of the renewal premiums in respect of certain policies, but which may vary between the parties from time to time.

In respect of each of the New DSIS, DSI (1976), DSIA, MIC and MLIC Distribution Agreements (collectively the **"New Distribution Agreements"**), DSIS, DSI (1976) and DSIA shall each reimburse or pay on behalf of DSB, and MIC and MLIC 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 New Distribution Agreements.

Each of the New Distribution Agreements will be on a mutually non-exclusive basis and will be for a three-year fixed term with effect from 1 January 2017 and ending on 31 December 2019. Each of the New DSIS, DSI (1976), DSIA, MIC and MLIC Agency Agreements (collectively the **"New Agency Agreements"**) will be on a mutually non-exclusive basis for a three-year fixed term with effect from 1 January 2017 and ending on 31 December 2019, save that the provisions relating to the payment of outstanding renewal premiums shall remain in force until payment is received in full.

Reference is made to the announcement of the Company dated 2 June 2016, the circular of the Company dated 16 July 2016 and the announcement of the Company dated 5 August 2016. 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 New DSIS Distribution Agreement and the New DSIS Agency Agreement will be terminated on the same day as the Hong Kong Distribution Agreement becomes effective and the New MLIC Distribution Agreement and the New 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.

Pricing:

The rates of commission receivable by the Group have been determined after arm’s length negotiations, having regard to the features and pricing of the insurance products, including premium payable and duration of insurance protection, and the relevant market data.

Reasons for the transaction:

The New Distribution Agreements and the New Agency Agreements described above, including the commission rates set out in the various sets of such Agreements, are consistent with normal arrangements between banks or other insurance agents and insurance companies in the Hong Kong and Macau markets, and will 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 will also produce fee income which will be of benefit to the Group.

(b) Business referral services

On 30 December 2013, the Company entered into a cooperation agreement with DSFH. The cooperation agreement will be on a mutually non-exclusive basis and will be for a three-year fixed term with effect from 1 January 2014 and ending on 31 December 2016. On 30 December 2016, the Company entered into a new cooperation agreement with DSFH (the **"New Business Referral Services Agreement"**), for a fixed term of three years with effect from 1 January 2017 and ending on 31 December 2019. Pursuant to the New Business Referral Services Agreement, the Company shall provide and shall procure members of the Group to, either directly or via their sole agents (if any), provide members of the DSFH Group with business referral services in relation to obtaining applications for life and general insurance policies to be underwritten by members of the DSFH Group. There is no commitment on any member of the Group to refer to member(s) of DSFH Group such transactions of any minimum or maximum number and/or amount. Where concluded between the relevant parties, the terms and conditions for the provision of such business referral services shall be, if required, reduced into individual written agreement(s).

Pricing:

The commission receivable by the Group under the New Business Referral Services Agreement shall be determined after arm's length negotiations.

Reasons for the transaction:

The Board believes that such cooperation agreement enables the parties to leverage on the expertise and experience of the other with a view of exploring business opportunities and therefore of benefit to the Group as a whole.

Historical amounts and future caps:

The actual aggregate commissions received by, and expenses or fees paid on behalf of and reimbursed to, the Group by DSIS, DSIA, MLIC and MIC during the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016 were approximately HK$115.0 million, HK$133.4 million and HK$147.7 million (unaudited), respectively.

The aggregate commissions received by, and expenses paid on behalf of and reimbursed to, the Group by DSIS, DSI (1976), DSIA, MLIC and MIC under the New Distribution Agreements and underlying New Agency Agreements and the aggregate commission income to be received and payment to be made in relation to the transaction contemplated under the New Business Referral Services Agreement for each of the three financial years ending 31 December 2017, 2018 and 2019, in aggregate, is estimated not to exceed the annual limit of HK$229.0 million.

HK$ million	Historical Caps			Historical Figures			Future Caps		
	Annual cap for the year ended 31 Dec 2014	Annual cap for the year ended 31 Dec 2015	Annual cap for the year ending 31 Dec 2016	Historical annual amount for the year ended 31 Dec 2014	Historical annual amount for the year ended 31 Dec 2015	Unaudited historical amount for the period from 1 Jan to 31 Oct 2016	Annual cap for the year ending 31 Dec 2017	Annual cap for the year ending 31 Dec 2018	Annual cap for the year ending 31 Dec 2019
Transaction									
Commissions or fees received by, and expenses paid on behalf of and reimbursed to, the Group by members of DSFH Group	148.0	148.0	192.0 (Note 1)	115.0	133.4	147.7	229.0	229.0	229.0

Note:

(1) The annual cap for the year ending 31 December 2016 was revised to HK$192.0 million. Please refer to the announcement of the Company dated 10 November 2016.

Basis for such future caps:

The annual monetary caps in relation to commission received by and expenses paid on behalf of and reimbursed to the Group by members of DSFH Group under their respective New Distribution Agreements and New Agency Agreements have been ascertained by reference to the commission paid and expenses paid and reimbursed to the Group for the financial years ended 31 December 2014, 31 December 2015 and the first ten months of 2016, and calculated on the basis of the commission rates multiplied by the estimated premiums receivable on the insurance products to be distributed.

The bases for determining the commission rates on a product basis under the New DSIS Agency Agreement in respect of life insurance policies sold for the three financial years ending 31 December 2017, 2018 and 2019 shall remain similar as that for the years ended 31 December 2014 and 2015 and the first ten months of 2016. However, due to budgeted increases in the volume of products distributed and the introduction of new products or revisions to existing products, the overall aggregate commissions likely to be received are forecast to be significantly higher and consequently such increases are reflected in the table above.

The bases for determining the commission rates on a product basis under the DSI (1976) Agency Agreement and DSIA Agency Agreement in respect of insurance products sold to customers of the Group for the three financial years ending 31 December 2017, 2018 and 2019 shall remain similar as that under the agency agreement between DSB and DSIA entered into on 30 December 2013 for the years ended 31 December 2014 and 2015 and the first ten months of 2016. However, due to budgeted increases in the volume of products distributed and the introduction of new products or revisions to existing products, the overall aggregate commissions likely to be received are forecast to be significantly higher and consequently such increases are reflected in the table above.

The estimation of the annual fee income on business referral services are based on an internal assessment and the anticipated growth in business.

In arriving at the above future caps, the Directors have also considered the Group's strategy to promote insurance products to its customers who are serviced by the respective bank branches and other distribution networks of DSB and BCM. The Directors are of the view that the increasing level of awareness and acceptance of life and general insurance products by the Group's customers in general will provide the Group with greater opportunities to cross sell its insurance policies, and therefore allow the Group to substantially increase the commission receivable from their sale.

The Board (including the independent non-executive Directors) confirm that the commission rates, and expenses to be paid and reimbursed will be on normal commercial terms, in line with market rates for insurance products of similar types, the income fee on business referral services will either be on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are normal commercial terms, on terms no less favourable than those available to independent third parties. The transactions contemplated under the relevant agreements are 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.

4. LISTING RULES IMPLICATIONS

4.1 As one or more of the applicable Percentage Ratios (other than the profits ratio) in respect of the annual caps for each of the continuing connected transactions contemplated under each of the agreements set out in this announcement are, on an annual basis, higher than 0.1% but are all less than 5%, these transactions are subject to the reporting, announcement and annual review requirements but are exempt from the requirements of independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

4.2 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, all being directors of the Board of the Company having a connected relationship with DSFH Group, have abstained from voting on the board resolutions relating to the entering of the relevant agreements (and the respective caps). The resolutions were voted by the Directors who are not connected to the transactions.

4.3 The Board (including the independent non-executive Directors) considers that the abovementioned agreements (and the transactions contemplated under the relevant agreements) were entered into on normal commercial terms or on terms no less favourable than those available to independent third parties and were entered into on a continuing and regular basis and in the ordinary and usual course of business of the Company, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the annual caps for each of the continuing connected transactions contemplated under the relevant agreements for each of the three financial years ending 31 December 2017, 2018 and 2019 are fair and reasonable.

DEFINITIONS

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

"BCM"	Banco Comercial de Macau, S.A.
"Board"	the board of Directors of the Company
"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
"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)
"DSI (1976)"	Dah Sing Insurance Company (1976) Limited, formerly known as Summit Insurance (Asia) Limited
"DSIA"	Dah Sing Insurance Agency Limited
"DSIS"	Dah Sing Insurance Services Limited
"DSLA"	Dah Sing Life Assurance Company Limited
"Group"	the Company and its subsidiaries
"High Standard"	High Standard Investment Ltd.
"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, DSLA and DSB upon completion of the sale of all of the issued shares in the share capital of each of DSIS and DSLA 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
"MOP"	Macao Pataca, the lawful currency of Macao
"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
"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, which has not yet completed as at the date of this announcement

	(please refer to the announcement of the Company dated 2 June 2016, the circular of the Company dated 16 July 2016 and the announcement of the Company dated 5 August 2016)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Vanishing Border"	Vanishing Border Investment Services Limited

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

Hong Kong, 30 December 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.