

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



(Incorporated in Hong Kong with limited liability under the Companies Ordinance)  
The holding company of Dah Sing Bank, Limited  
(Stock code: 2356)

**COMMENCEMENT OF THE HONG KONG DISTRIBUTION AGREEMENT,  
STATUS OF CONNECTED PERSON RELATIONSHIP  
AND  
REVISION OF ANNUAL CAPS FOR CERTAIN EXISTING CONTINUING  
CONNECTED TRANSACTIONS**

Reference is made to the announcements of Dah Sing Banking Group Limited (the "**Company**") dated 2 June 2016 and 5 August 2016 and the circular of the Company dated 16 July 2016 (the "**Circular**") in relation to the connected transactions and continuing connected transactions relating to the Hong Kong Distribution Agreement and Macau Distribution Agreement.

Reference is also made to the announcements of the Company dated 30 December 2016 (the "**Announcement**") and 26 May 2017 in relation to the continuing connected transactions of the Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as given to them in the Announcement.

**1. COMPLETION OF THE SALE OF THE HONG KONG SHARES UNDER THE SHARE SALE AGREEMENT BY DSFH**

The Company has been informed that the Share Sale Agreement in relation to the sale of the entire issued share capital of DSIS and DSLA (the "**Hong Kong Shares**") was completed on 19 June 2017. As at the date of this announcement, since certain conditions precedent under the Share Sale Agreement in relation to the sale of the entire issued share capital of MLIC (the "**Macau Shares**") remain outstanding, the sale of the Macau Shares has not yet been completed.

**2. STATUS OF CONNECTED PERSON RELATIONSHIP**

Upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement, DSIS and DSLA ceased to be subsidiaries of DSFH and became wholly owned subsidiaries of the Purchaser. Accordingly, DSIS and DSLA ceased to be connected persons of the Company and the ongoing transactions contemplated between members of the Group and DSIS and between members of the Group and DSLA will no longer constitute continuing connected transactions for the Company under the Listing Rules except in relation to the Hong Kong Distribution Agreement. The Purchaser was deemed by the Stock Exchange as a connected person of the Company at the point in time it enters into the Hong Kong Distribution Agreement. Therefore, the Hong Kong Distribution Agreement constitutes continuing connected transactions with respect to the Variable Payments (as defined below) during the first year of the agreement. Please refer to Section 4 below for further details.

### **3. REVISION OF ANNUAL CAPS FOR CERTAIN EXISTING CONTINUING CONNECTED TRANSACTIONS**

As DSIS and DSLA have ceased to be connected persons of the Company upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement save for the transactions contemplated under the Hong Kong Distribution Agreement, the Directors have decided to reduce the existing annual caps for the three financial years ending 31 December 2017, 2018 and 2019 in respect of the transactions contemplated under (a) the New Cooperation Agreement, (b) the New Lease Agreements, (c) the banking arrangements provided by the Group for companies within the DSFH Group (the "**Banking Arrangements**"), (d) the New Services Agreement, and (e) the New Distribution Agreements, the New Agency Agreements and the New Business Referral Services Agreement (the "**Revised Annual Caps**").

#### **a. Insurance services provided by DSI (1976), DSLA, MIC and MLIC – the New Cooperation Agreement**

Under the New Cooperation Agreement, the total annual aggregate amount of the premiums payable by the Group in respect of the insurance services provided by members of the DSFH Group, namely, DSI (1976), DSLA, MIC and MLIC, for each of the three financial years ending 31 December 2017, 2018 and 2019 was, when the New Cooperation Agreement was entered into, not expected to exceed the annual limit of HK\$30.0 million.

As DSLA ceased to be a connected person of the Company upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement save for the transactions contemplated under the Hong Kong Distribution Agreement, the Directors have decided to reduce the annual cap under the New Cooperation Agreement accordingly from HK\$30.0 million to HK\$22.0 million for the financial year ending 31 December 2017 and from HK\$30.0 million to HK\$17.0 million for the financial years ending 31 December 2018 and 2019. In arriving at the reduced cap, the Directors considered the estimated transaction volume under the New Cooperation Agreement excluding transactions with DSLA for the remaining of the 2017 financial year and for each of the 2018 and 2019 financial years.

#### **b. Lease arrangements – the New Lease Agreements**

The total amount payable under the New Lease Agreements for each of the two financial years ending 31 December 2017 and 2018 was, when the New Lease Agreements were entered into, not estimated to exceed the annual limit of HK\$23.2 million and for the financial year ending 31 December 2019, was not estimated to exceed the annual limit of HK\$4.8 million.

As DSIS and DSLA have ceased to be connected persons of the Company upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement save for the transactions contemplated under the Hong Kong Distribution Agreement, the New DSIS Lease Agreement and the New Shenzhen Lease Agreement will no longer constitute continuing connected transactions for the Company under the Listing Rules. The Directors have therefore decided to reduce the annual cap accordingly from HK\$23.2 million to HK\$13.4 million for the financial year ending 31 December 2017 and from HK\$23.2 million to HK\$4.8 million for the financial year ending 31 December 2018. In arriving at the reduced cap, the Directors considered the annual rent expected to be received pursuant to the New Lease Agreements excluding the New DSIS Lease Agreement and the New Shenzhen Lease Agreement for the remaining of the 2017 financial year and for the 2018 financial year. The annual cap for the financial year ending 31 December 2019 remains unchanged at HK\$4.8 million.

**c. Banking Arrangements provided by the Group for companies within the DSFH Group**

Under the Banking Arrangements, the maximum aggregate annual bank charges payable from the DSFH Group to DSB and other members of the Group for each of the three financial years ending 31 December 2017, 2018 and 2019 was, when the Banking Arrangements were entered into, not estimated to exceed the annual limit of HK\$16.0 million.

As DSIS and DSLA have ceased to be connected persons of the Company upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement save for the transactions contemplated under the Hong Kong Distribution Agreement, the Directors have decided to reduce the annual cap under the Banking Arrangements accordingly from HK\$16.0 million to HK\$8.0 million for the financial year ending 31 December 2017 and from HK\$16.0 million to HK\$4.0 million for the financial years ending 31 December 2018 and 2019. In arriving at the reduced caps, the Directors considered the estimated transaction volume under the Banking Arrangements excluding transactions with DSIS and DSLA for the remaining of the 2017 financial year and for each of the 2018 and 2019 financial years.

**d. Computer and Administrative Services Agreement with DSFH – the New Services Agreement**

Under the New Services Agreement, the annual fee payable to DSB and BCM for each of the three financial years ending 31 December 2017, 2018 and 2019, was, when the New Services Agreement was entered into, not estimated to exceed the annual limit of HK\$30.0 million.

As DSIS and DSLA have ceased to be connected persons of the Company upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement save for the transactions contemplated under the Hong Kong Distribution Agreement, the Directors have decided to reduce the annual cap under the New Services Agreement accordingly from HK\$30.0 million to HK\$18.0 million for the financial year ending 31 December 2017 and from HK\$30.0 million to HK\$15.0 million for the financial years ending 31 December 2018 and 2019. In arriving at the reduced caps, the Directors considered the estimated transaction volume under the New Services Agreement excluding transactions with DSIS and DSLA for the remaining of the 2017 financial year and for each of the 2018 and 2019 financial years.

**e. Distribution and agency agreements and other business referral services – the New Distribution Agreements, the New Agency Agreements and the New Business Referral Services Agreement**

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, was, when the New Distribution Agreements, the New Agency Agreements and the New Business Referral Services Agreement were entered into, not estimated to exceed the annual limit of HK\$229.0 million.

Upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement and upon the signing and coming into effect of the Hong Kong Distribution Agreement, the New DSIS Distribution Agreement and the New DSIS Agency Agreement were terminated. Please refer to Section 4 below on details of the annual caps in relation to the Hong Kong Distribution Agreement. As at the date of this announcement, the sale of the Macau Shares under the Share Sale Agreement has not yet completed and the Macau Distribution Agreement has not yet been signed nor has come into effect. Accordingly, the New MLIC Distribution Agreement and the New MLIC Agency Agreement are still valid and in effect.

As DSIS ceased to be a connected person of the Company upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement save for the transactions contemplated under the Hong Kong Distribution Agreement and the New DSIS Distribution Agreement and the New DSIS Agency Agreement were terminated on 19 June 2017, the Directors have decided to reduce the annual cap accordingly from HK\$229.0 million to HK\$130.0 million for the financial year ending 31 December 2017 and from HK\$229.0 million to HK\$60.0 million for the financial years ending 31 December 2018 and 2019. In arriving at the reduced caps, the Directors considered the estimated commissions to be received from and the expenses to be reimbursed under the New Distribution Agreements, the New Agency Agreements and the New Business Referral Services Agreement excluding transactions with DSIS for the remaining of the 2017 financial year and for each of the 2018 and 2019 financial years.

Please see Section 4 below for further details relating to the Hong Kong Distribution Agreement including the annual caps.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable Percentage Ratios (other than the profits ratio) in respect of the Revised Annual Caps for each of (a) the New Cooperation Agreement, (b) the New Lease Agreements, (c) the Banking Arrangements, (d) the New Services Agreement and (e) the New Distribution Agreements, the New Agency Agreements and the New Business Referral Services Agreement 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.

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 regarding the Revised Annual Caps. The resolutions were voted by the Directors who are not connected to the continuing connected transactions.

The Board (including the independent non-executive Directors) considers that the Revised Annual Caps are on normal commercial terms or on terms no less favourable than those available to independent third parties, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **4. COMMENCEMENT OF THE HONG KONG DISTRIBUTION AGREEMENT**

Following completion of the sale of the Hong Kong Shares under the Share Sale Agreement by DSFH on 19 June 2017, the Hong Kong Distribution Agreement has also been entered into among DSLA, DSIS and DSB on the same date. The New DSIS Distribution Agreement and the New DSIS Agency Agreement were therefore also terminated on the same date.

In accordance with the terms of the Hong Kong Distribution Agreement, DSLA paid DSB an upfront payment in the amount of HK\$1,972 million less the deposit of HK\$250 million paid by the Purchaser on signing of the Share Sale Agreement, on 19 June 2017.

As stated in the section headed "The Hong Kong Distribution Agreement – Consideration" in the "Letter from the Board" contained in the Circular:

- DSLA will pay ten equal deferred payments in the amount of HK\$52.8 million each per annum to DSB starting from the first anniversary of the date of the Hong Kong Distribution Agreement. The upfront payment and the deferred payments are in consideration of the exclusivity to be provided by DSB in respect of the distribution of DSLA's life-insurance products in Hong Kong. Such payments had been determined after arms' length negotiations between the parties to the Hong Kong Distribution Agreement and Tahoe Investment Group Co., Ltd. ("**Tahoe Investment**", formerly known as Fujian Thai Hot Investment Co., Ltd.) and after taking into account the relevant payments in similar

transactions, particularly in respect of the amount of payment per customer and the amount of payment in relation to the current commission income received.

- DSLA will pay commission (the "**Commission**") to DSB in respect of all insurance premiums received by DSLA for the life-insurance products which are sold through DSB's distribution channels in Hong Kong. The commission rates in respect of each life-insurance product will be consistent with the rates payable from time to time in respect of similar products distributed by other comparable life insurance companies (being the top five insurers who are licensed in Hong Kong by market share measured by annual premium income for that life insurance product type) operating in Hong Kong in the same or similar distribution channels as DSB. The commission rates will initially be fixed and maintained at between 3% and 52% of the first year premium received in respect of each of the 68 insurance product varieties, plus an additional payment of up to 24% of the renewal premium in respect of 44 out of the 68 insurance product varieties with renewal commission until not later than 31 December 2017. Thereafter, the commission rates may be revised by DSB and DSLA from time to time.
- DSLA will pay a production, marketing and sales payment (together with the Commission, the "**Variable Payments**") to DSB in respect of the insurance premiums received by DSLA in each quarter. The rate of payment was determined after arms' length negotiations between the parties to the Hong Kong Distribution Agreement and Tahoe Investment by reference to the historical total production and tactical bonus and the sales and marketing allowance under the existing distribution arrangements and is calculated as a percentage of the annualised first year commissions received by DSB during the relevant quarter. The initial rate will be 60% and will apply until not later than 31 December 2017. Thereafter, such rate may be revised by DSB and DSLA on an annual basis.

As the Hong Kong Distribution Agreement constitutes a continuing connected transaction with respect to the Variable Payments to be received by DSB for the first year under the Hong Kong Distribution Agreement (being 19 June 2017 to 18 June 2018), the Company is required to set an annual cap for the Variable Payments. The Company previously proposed in the Circular an annual cap of HK\$45 million for the 3-months period between 1 October 2016 to 31 December 2016 and HK\$210 million for the year ending 31 December 2017, respectively, based on the assumption that the Hong Kong Distribution Agreement would be effective on 1 October 2016.

As the Hong Kong Distribution Agreement was eventually entered into on 19 June 2017, the Company has adjusted the annual caps for the Variable Payments to HK\$130.0 million for the period between 19 June 2017 to 31 December 2017 and set an annual cap of HK\$140.0 million for the period between 1 January 2018 to 18 June 2018.

The annual caps were determined on the basis of, and with consideration of, the historical commission income, fees and production, marketing and sales payments received by and expenses reimbursed to DSB in 2015, 2016 and the first half of 2017, taking into account the expected growth of the life-insurance market of Hong Kong in 2017 and 2018, together with the expected growth in bancassurance business due to the mechanism set out in the Hong Kong Distribution Agreement for on-going cooperation with Tahoe Investment, which is designed to facilitate the growth of bancassurance business and the smooth transition and workflow following the completion of the sales of the Hong Kong Shares. The approach taken to determine and calculate the annual caps was similar to that as stated in the Circular. Please refer to the Circular for further details.

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 were reflected in the annual caps.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable Percentage Ratios (other than the profits ratio) in respect of the annual caps for the Variable Payment under the Hong Kong Distribution Agreement are, on an annual basis, higher than 0.1% but are all less than 5%, the transaction is 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.

None of the Directors (including the independent non-executive Directors) has a material interest in the Hong Kong Distribution Agreement and the transactions contemplated thereunder, nor is any Director required to abstain from voting in the relevant board resolutions approving the annual cap with respect to the Variable Payment. The Board (including the independent non-executive Directors) considers that the continuing connected transaction with respect to the Variable Payments are on normal commercial terms or on terms no less favourable than those available to independent third parties, in the ordinary and usual course of business of the Group, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **5. INFORMATION RELATING TO THE PARTIES MENTIONED IN THIS ANNOUNCEMENT**

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 which are principally engaged in banking business.

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 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.

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, High Standard, MIC and MLIC, which are engaged in insurance, insurance related or property investment businesses. Upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement on 19 June 2017, DSIS and DSLA ceased to be subsidiaries of DSFH and became wholly owned subsidiaries of the Purchaser. Upon completion of the sale of the Macau Shares under the Share Sale Agreement, MLIC will cease to be a subsidiary of DSFH and will become a wholly owned subsidiary of the Purchaser. DSI (1976), DSIA, High Standard and MIC will remain subsidiaries of DSFH after completion of the sale of both the Hong Kong Shares and the Macau Shares under the Share Sale Agreement.

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 is a company incorporated in Hong Kong. DSIA is a direct wholly owned subsidiary of DSFH and is an insurance agent in Hong Kong. It ceased 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 is a company incorporated in Hong Kong. As at the date of this announcement, DSIS is a wholly owned subsidiary of the Purchaser upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement. It is the general agent of DSLA in Hong Kong. As DSIS ceased to be a wholly owned subsidiary of DSFH, DSIS is no longer a connected person of the Company pursuant to the Listing Rules save for the transactions contemplated under the Hong Kong Distribution Agreement as described in Section 4 above.

DSLA is a company incorporated in Bermuda. As at the date of this announcement, DSLA is a wholly owned subsidiary of the Purchaser upon completion of the sale of the Hong Kong Shares under 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 DSLA ceased to be a wholly owned subsidiary of DSFH, DSLA is no longer a connected person of the Company pursuant to the Listing Rules save for the transactions contemplated under the Hong Kong Distribution Agreement as described in Section 4 above.

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 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 but will become a wholly owned subsidiary of the Purchaser upon completion of the sale of the Macau Shares under 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.

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

Hong Kong, 19 June 2017

*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 and Managing Director and Chief Executive), Gary Pak-Ling Wang (Group Chief Financial and Operating Officer) and Nicholas John Mayhew (Deputy Chief Executive) 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.*