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## **China Minsheng Financial Holding Corporation Limited**

**中國民生金融控股有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 245)**

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO THE REVISION OF THE ORIGINAL ANNUAL CAPS FOR THE MASTER FINANCIAL SERVICES AGREEMENT**

Reference is made to the Announcement of the Company dated 29 June 2016 in relation to the Master Financial Services Agreement entered into between the Company and the CMI Entities for the provision of the Brokerage Services by the Company, via the Licensed Subsidiaries, to the CMI Entities, which constitutes a continuing connected transaction of the Company under the Listing Rules.

For reasons as more particularly described in this announcement, the Board anticipates that the Original Annual Caps will no longer be sufficient. Accordingly, the Company proposes to revise the Original Annual Caps.

All Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser to the Company's Independent Board Committee and the Independent Shareholders) are of the view that (i) the Revised Annual Caps are fair and reasonable, and in the interests of the Company and its shareholders as a whole, and (ii) the entering into of the Master Financial Services Agreement and the transactions contemplated thereunder were on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CMI Financial Holding Company Limited is the controlling shareholder of the Company. CMI Financial Holding Corporation is an associate of CMI Financial Holding Company Limited. Accordingly, CMI Financial Holding Company Limited and CMI Financial Holding Corporation are connected persons of the Company. As such, the entering into of the Master Financial Services Agreement between the Company and the CMI Entities and the transactions contemplated thereunder would constitute a continuing connected transaction of the Company under Rule 14A.31 of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, before an annual cap is exceeded in respect of a given transaction, the Company is required to re-comply with the relevant announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Revised Annual Caps, on an annual basis and in aggregate, exceeds 5% and the annual consideration is expected to exceed HK\$10 million, the Revised Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **GENERAL INFORMATION AND EGM**

The Company will convene the EGM in due course for the Independent Shareholders to consider and, if thought fit, approve, confirm and/or ratify (i) the entering into of the Master Financial Services Agreement and the transactions contemplated thereunder, and (ii) the Revised Annual Caps. CMI Financial Holding Company Limited, being the controlling shareholder of the Company, shall abstain from voting on the relevant resolution as stated above at the EGM.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Master Financial Services Agreement (including the Revised Annual Caps), and TC Capital International Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard. None of the members of the Independent Board Committee has any interest in the Master Financial Services Agreement and the transactions contemplated hereunder.

### **DISPATCH OF CIRCULAR**

A circular of the EGM containing, among others, (i) details of the Master Financial Services Agreement and the transactions contemplated hereunder and the Revised Annual Caps; (ii) the advice and recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Master Financial Services Agreement and the Revised Annual Caps; (iv) a notice convening the EGM; and (v) other information required under the Listing Rules, will be dispatched to the shareholders on or before 10 October 2016.

### **BACKGROUND**

Reference is made to the Announcement of the Company dated 29 June 2016 in relation to the Master Financial Services Agreement entered into between the Company and the CMI Entities for the provision of the Brokerage Services by the Company, via the Licensed Subsidiaries, to the CMI Entities, which constitutes a continuing connected transaction of the Company under the Listing Rules. Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcement.

For reasons as more particularly described in this announcement, the Board anticipates that the Original Annual Caps will no longer be sufficient. Accordingly, the Company proposes to revise the Original Annual Caps under the Master Financial Services Agreement, subject to the Independent Shareholders' approval.

## **TERMS OF THE MASTER FINANCIAL SERVICES AGREEMENT**

<b>Date</b>	29 June 2016
<b>Parties</b>	(i) the Company;  (ii) CMI Financial Holding Company Limited; and  (iii) CMI Financial Holding Corporation
<b>Term</b>	Ending on 31 December 2018
<b>Principal services to be provided under the Master Financial Services Agreement</b>	The Company, via the Licensed Subsidiaries, has agreed to provide to the CMI Entities the Brokerage Services, which include but are not limited to brokerage services for trading of securities, futures and options contracts, placing, block trade, underwriting, and sub-underwriting services for securities and other related services.
<b>Fees</b>	For the provision of Brokerage Services by the Licensed Subsidiaries, the Group shall be entitled to the Fees based on the volume of the Brokerage Services provided to the CMI Entities. The applicable rates of the Fees shall be at or no less than the prevailing rates charged by the Licensed Subsidiaries to other customers who are independent from the CMI Entities.

## **HISTORICAL FIGURES**

The Board has been carefully monitoring the historic transacted amounts under the Master Financial Services Agreement. As of 31 August 2016, the aggregate amount of Fees paid by the CMI Entities under the Master Financial Services Agreement was approximately HK\$8,025,204. The Company confirms that as at the date hereof, the actual aggregated amount of Fees paid by the CMI Entities for the provision of the Brokerage Services by the Company (via the Licensed Subsidiaries) to the CMI Entities under the Master Financial Services Agreement does not exceed the Original Annual Caps.

## **REVISION OF THE ORIGINAL ANNUAL CAPS**

The table below sets out the Original Annual Caps and the Revised Annual Caps under the Master Financial Services Agreement, respectively:

	<b>For the year ending 31 December 2016</b>	<b>For the year ending 31 December 2017</b>	<b>For the year ending 31 December 2018</b>
Original Annual Caps	HK\$9.5 million	HK\$9.5 million	HK\$9.5 million
Revised Annual Caps	HK\$28 million	HK\$70 million	HK\$80 million

Notwithstanding the proposed revision of the Original Annual Caps, the terms of the Master Financial Services Agreement remain unchanged.

### **Basis for the Revised Annual Caps**

In determining the Revised Annual Caps, the Board took into account historical fees paid since the entry of the Master Financial Services Agreement in June 2016 and the anticipated volume of the Brokerage Services to be provided to the CMI Entities during the term of the Master Financial Services Agreement in light of the fast growth of the business of the CMI Entities (in particular the fast growth of demand for brokerage-related services by CMI Entities). The Company will continue to monitor the volume of Brokerage Services provided to the CMI Entities.

### **REASONS FOR AND BENEFITS FROM REVISION OF THE ORIGINAL ANNUAL CAPS**

Due to an increase in demand for the Brokerage Services by the CMI Entities, the Board believes that the Original Annual Caps will not be sufficient for the Company and that the Original Annual Caps need to be revised. The Revised Annual Caps will allow the Group to continue to provide Brokerage Services to the CMI Entities and benefit from the accelerated business expansion of the CMI Entities and the growth of its demand for brokerage-related services.

All Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice of the Independent Financial Adviser to the Company's Independent Board Committee and the Independent Shareholders) are of the view that (i) the Revised Annual Caps are fair and reasonable and in the interests of the Company and its shareholders as a whole, and (ii) the entering into of the Master Financial Services Agreement and the transactions contemplated thereunder were on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its shareholders as a whole.

## **INFORMATION OF THE PARTIES**

### **The Company**

The Company is a company incorporated in Hong Kong with limited liability and the shares of the Company have been listed on the Stock Exchange since 25 August 1972. The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, insurance agency services, securities advisory and securities brokerage services. As at the date of this announcement, CMI Financial Holding Company Limited is the immediate controlling shareholder of the Company.

### **CMI Financial Holding Company Limited**

CMI Financial Holding Company Limited is a company incorporated in Hong Kong with limited liability on 22 June 2015 and is principally engaged in investment holding and making of investments.

### **CMI Financial Holding Corporation**

CMI Financial Holding Corporation is a company incorporated in the British Virgin Islands with limited liability on 29 October 2014 and is principally engaged in investment holding and making of investments.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CMI Financial Holding Company Limited is the controlling shareholder of the Company. CMI Financial Holding Corporation is an associate of CMI Financial Holding Company Limited. Accordingly, CMI Financial Holding Company Limited and CMI Financial Holding Corporation are connected persons of the Company. As such, the entering into of the Master Financial Services Agreement between the Company and the CMI Entities and the transactions contemplated thereunder would constitute a continuing connected transaction of the Company under Rule 14A.31 of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, before an annual cap is exceeded in respect of a given transaction, the Company is required to re-comply with the relevant announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Revised Annual Caps, on an annual basis and in aggregate, exceeds 5% and the annual consideration is expected to exceed HK\$10 million, the Revised Annual Caps are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As none of the Directors has any material personal interest in the transactions contemplated under the Master Financial Services Agreement, none of the Directors has abstained from voting on the board resolution to approve the Master Financial Services Agreement and the Revised Annual Caps.

## **GENERAL INFORMATION AND EGM**

The Company will convene the EGM in due course for the Independent Shareholders to consider and, if thought fit, approve, confirm and/or ratify (i) the entering into of the Master Financial Services Agreement and the transactions contemplated thereunder, and (ii) the Revised Annual Caps. CMI Financial Holding Company Limited, being the controlling shareholder of the Company, shall abstain from voting on the relevant resolution as stated above at the EGM.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Master Financial Services Agreement (including the Revised Annual Caps), and TC Capital International Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard. None of the members of the Independent Board Committee has any interest in the Master Financial Services Agreement and the transactions contemplated hereunder.

## **DISPATCH OF CIRCULAR**

A circular of the EGM containing, among others, (i) details of the Master Financial Services Agreement and the transactions contemplated hereunder and the Revised Annual Caps; (ii) the advice and recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Master Financial Services Agreement and the Revised Annual Caps; (iv) a notice convening the EGM; and (v) other information required under the Listing Rules, will be dispatched to the shareholders on or before 10 October 2016.

## **DEFINITIONS**

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

“Announcement”	the announcement of the Company dated 29 June 2016 in respect of a continuing connected transaction in relation to the Master Financial Services Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to approve, confirm and/or ratify (i) the entering into of the Master Financial Service Agreement and the transactions contemplated hereunder, and (ii) the Revised Annual Caps
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors to advise the Independent Shareholders in respect of the Master Financial Services Agreement (including the Revised Annual Caps)

“Independent Financial Adviser”	TC Capital International Limited, a licensed corporation to carry on Type 1 (dealing in Securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Independent Shareholders”	the independent shareholders of the Company, which shall exclude CMI Financial Holding Company Limited
“Original Annual Caps”	the original annual caps for the aggregate Fees payable to the Group by the CMI Entities under the Master Financial Services Agreement as announced in the Announcement
“Revised Annual Caps”	the revised annual caps for the aggregate Fees payable to the Group by the CMI Entities under the Master Financial Services Agreement as announced in this announcement

By order of the Board  
**China Minsheng Financial Holding Corporation Limited**  
**Wong Choi Chak**  
*Company Secretary*

Hong Kong, 21 September 2016

*As at the date of this announcement, the members of the Board of the Company comprises (1) executive directors: Mr. Liu Tianlin, Mr. Wang Sing, Ms. Feng Xiaoying and Mr. Zhao Hongbo; (2) non-executive directors: Mr. Li Huaizhen and Mr. Ni Xinguang; and (3) independent non-executive directors: Mr. Chen Johnny, Mr. Beczak Thaddeus Thomas, Mr. Lyu Wei and Mr. Ling Yu Zhang.*