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CMBC Capital Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)

CONTINUING CONNECTED TRANSACTIONS UNDER THE SERVICE AGREEMENT

THE SERVICE AGREEMENT

On 3 October 2017, the Company (for itself and on behalf of other members of the Group) entered into the Service Agreement with CMBCI (for itself and on behalf of other members of CMBCI Group), pursuant to which, among other things:

- (a) the Group agreed to provide the Listco AM Services to the AM Clients; and
- (b) CMBCI Group agreed to provide the CMBCI Underwriting Referral Services to the Group.

LISTING RULES IMPLICATIONS

CMBCI is a controlling shareholder of the Company. As such, each of the members of CMBCI Group is a connected person of the Company and the Services constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (other than the profits ratio) pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps exceed 5%, the Services to be provided under the Service Agreement are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SGM

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The SGM will be held to consider and approve, among others, the ordinary resolutions regarding the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps). A circular containing, amongst other things, (i) further details of the Service Agreement and the Services contemplated thereunder (including the Proposed Annual Caps); (ii) the recommendation from the Independent Board Committee; (iii) the advice from the independent financial adviser in respect of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps); (iv) a notice convening the SGM; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders and posted on the website of the Stock Exchange (www.hkexnews.com.hk) and the website of the Company (www.cmbccap.com) on or around 10 October 2017.

THE SERVICE AGREEMENT

Introduction

On 3 October 2017, the Company (for itself and on behalf of other members of the Group) entered into the Service Agreement with CMBCI (for itself and on behalf of other members of CMBCI Group), pursuant to which, among other things:

- (a) the Group agreed to provide the Listco AM Services to the AM Clients; and
- (b) CMBCI Group agreed to provide the CMBCI Underwriting Referral Services to the Group.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The SGM will be held to consider and approve, among others, the ordinary resolutions regarding the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps).

The Service Agreement

Parties

1. the Company (for itself and on behalf of other members of the Group); and
2. CMBCI (for itself and on behalf of other members of CMBCI Group)

Date

3 October 2017

Duration

The Service Agreement shall take effect from the date of approval of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) by the Independent Shareholders at the SGM to 31 December 2018 (both days inclusive).

The Service Agreement shall be automatically terminated if (i) the Company considers that it is not feasible to comply with the Listing Rules at the relevant time; or (ii) compliance with the Listing Rules would require changes to the Service Agreement which are not acceptable to any of the parties thereto.

General Principle

The Services contemplated under the Service Agreement shall be provided by CMBCI Group or the Group on the basis of equality and voluntariness with a view to bring mutual benefits to the parties thereto and with terms not less favourable (in terms of the interest of the Group) than those offered to any Independent Third Party for services of a similar kind (if any).

Individual Service Contract

Each type of Services shall be effected and governed by the respective individual service contract or service mandate to be entered into between the relevant member of the Group and the relevant member of CMBCI Group in accordance with the terms of the Service Agreement. If there is any conflict between the terms of the respective individual service contract and the Service Agreement, the latter shall prevail.

(a) CMBCI Underwriting Referral Services

Pursuant to the Service Agreement, CMBCI Group agreed to introduce, refer and communicate Underwriting Opportunities (as defined below) offered by Independent Third Parties to the Group.

Opportunities for Referral

Underwriting opportunities include opportunities for placing, underwriting and sub-underwriting services of initial public offering of shares, placing of shares and securities convertible into shares, public and private issuance of bonds offered by any Independent Third Party which generally involves type 1 regulated activity in Hong Kong (the “**Underwriting Opportunities**”), and represent all types of the existing underwriting services of CMBCI Group. The Group has the sole discretion on accepting any of the Underwriting Opportunities introduced, referred and communicated by CMBCI Group.

Pricing Basis

Details of the payment and pricing terms of the CMBCI Underwriting Referral Services will be specified in the individual service contract and will be negotiated on an arm’s length basis between the Group and CMBCI Group.

Settlement Terms

Unless otherwise specified in the individual service contract, the relevant referral fee shall be settled by the Group in full upon the receipt of the underwriting fees or commission.

Internal Control

The Group will consider the following factors when deciding on the acceptance of the Underwriting Opportunity:

1. whether the Group has the necessary network and resources required to engage in the Underwriting Opportunity and satisfy the requirement of the relevant Independent Third Party client; and
2. whether the potential return expected to be generated by engaging in the Underwriting Opportunity could justify the resources estimated to be required for providing the relevant underwriting services (e.g. the expected cost of labour and time to be incurred by the staff of the Group).

The relevant responsible officer (within the meaning of the SFO) (the “**Responsible Officer**”) who does not hold any position in CMBCI Group will be responsible for assessing the Underwriting Opportunity and decide whether or not to engage in such opportunity.

To ensure that the terms for the CMBCI Underwriting Referral Services are conducted on normal commercial terms and in accordance with the terms of the Service Agreement and are in the interest of the Group, the Company has adopted the following measures:

1. the referral fee to be charged by CMBCI Group generally represents 40-50% of the gross commission or fee to be charged by the Group for the relevant underwriting service, which is generally in line with the prevailing practice of underwriters with PRC banking or securities background and may be adjusted by taking into account the potential return expected to be generated by engaging in the Underwriting Opportunity and the resources estimated to be required for providing the relevant underwriting services (e.g. the expected cost of labour and time to be incurred by the staff of the Group). The gross underwriting fees will be negotiated by the Group with the customers on an arms’ length basis, the Responsible Officer who does not hold any position in CMBCI Group will determine the exact percentage within the foregoing range to derive the referral fee, according to the aforesaid expected return and cost in undertaking the Underwriting Opportunities;
2. such referral fee shall not be more than 50% of the gross commission or fee to be charged by the Group for the relevant underwriting service, unless the independent non-executive Directors, after considering the expected return of and resources estimated to be required to engage in the relevant Underwriting Opportunities, are of the view that a higher fee rate is fair and reasonable for the relevant CMBCI Underwriting Referral Service;

3. the accounts department and senior management of the Company will conduct regular checks to review and assess whether the referral fee charged for the CMBCI Underwriting Referral Service is fair and reasonable in accordance with the aforesaid pricing policy; and
4. the Company's external auditor and the independent non-executive Directors will conduct an annual review of the CMBCI Underwriting Referral Services, which will include the decision making on the acceptance of the Underwriting Opportunities solely undertaken by the Group without the involvement of CMBCI Group, by reviewing the Group's relevant internal approval documents and discussions with the relevant Responsible Officer accepting the Underwriting Opportunity. The independent non-executive Directors are of the view that the foregoing internal control measures are in line with the prevailing market practice and, given CMBCI Group is only the referral agent rather than the customers of the Group, are sufficient to ensure that the Group can decide the acceptance of Underwriting Opportunities independently from CMBCI Group.

(b) Listco AM Services

Pursuant to the Service Agreement, the Group agreed to provide asset management services or ancillary services to CMBCI, its associates or any third parties who are deemed to be connected with the Company under Rule 14A.20 of the Listing Rules (the "**AM Clients**"). Such third parties include, *inter alia*, special purpose vehicles which are set up at the direction of the Group for the main purpose of transferring the funds from CMBCI Group and forming assets to be managed by the Group in accordance with the arrangement of the Group and CBMCI and its associates and thereby facilitating the Group's provision of Listco AM Service to CMBCI and its associates. Such third parties will issue equity or debt securities or investment products arranged by the Group to CMBCI and its associates (the "**AM Related Products**"), and will procure the Listco AM Services for all the proceeds from such issues (the "**Managed Proceeds**"). The scope of the Listco AM Services will be agreed and specified in the individual client agreement and may include, *inter alia*, overseeing the operations of the investment portfolios, provision of investment policies and strategies, making general investment decisions and monitoring the performance of the investment portfolio(s), and provision of administrative and management services to the investment portfolio(s) will be agreed and specified in the individual client agreement.

Pricing Basis

The Group will charge the AM Clients management fees and performance fees, and will charge CMBCI Group distribution fees for the AM Related Products. The fees to be charged by the Group for the Listco AM Services shall be in line with comparable market rates and be no less favourable to the Group than those charged to Independent Third Parties. Licensed representatives of type 9 regulated activity of the Group will make reference to at least three recent market comparables generally obtained from public sources, such as SFC website, to assess the fees to be charged by the Group, which will be reviewed by the Responsible Officer of type 9 regulated activity of the Group.

Details of the payment and pricing terms of the Listco AM Services will be specified in the individual service contract and will be negotiated on an arm's length basis between the Group and the relevant AM Clients.

Settlement Terms

Unless otherwise specified in the individual service contract, the distribution fees shall be settled by CMBCI Group at the time of its subscription of the AM Related Products and at subsequent anniversaries. The management fees shall generally be settled by the AM Clients indirectly through their attributable assets managed under the Listco AM Services periodically (such as per quarter, semi-annual or per annum). The performance fees (if any) shall generally be settled by the AM Clients indirectly through their attributable assets managed under the Listco AM Services when distributions from the Listco AM Services meet the agreed performance benchmarks.

Internal Control

To ensure that the terms for the Listco AM Services are conducted on normal commercial terms and in accordance with the terms of the Service Agreement and are in the interest of the Group, the Company has adopted the following measures:

1. the distribution fees to be charged by the Group shall be approximately 0.25% of the Managed Proceeds;
2. the management fees to be charged by the Group shall be in the range of 0.5% and 1% of the total value of the assets to be managed by the Group for the AM Clients and will be decided by the relevant Responsible Officer in accordance with the Group's pricing policy applicable to all of its clients.

The management fees payable for each period is calculated based on the net asset value of the fund (i.e. total assets minus all accrued debts, liabilities and obligations of the fund) as at the end of the relevant period. The total assets will be valued based on general market practice of investment funds;

3. a Responsible Officer for type 9 regulated activity will, based on the pricing guidelines as described in paragraphs 1 and 2 above, determine the management fees and performance fees to be charged for each of the Listco AM Services;
4. the accounts department and senior management of the Company, the Responsible Officers will review the prevailing comparable market rates, quotations or invoices issued to Independent Third Parties for comparison and as a reference to ensure that fees chargeable by the Group to the AM Clients are comparable to those transacted with Independent Third Parties; and
5. the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Listco AM Services.

PROPOSED ANNUAL CAPS

The Proposed Annual Caps for the two years ending 31 December 2018 are set out below:

	For the year ending	
	31 December	
	2017	2018
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
CMBCI Underwriting Referral Services	10	20
Listco AM Services	17	41
– Distribution fees	9	9
– Management fees	8	32

Basis for the Proposed Annual Caps

1. **CMBCI Underwriting Referral Services:** The Proposed Annual Caps for CMBCI Underwriting Referral Services for the two years ending 31 December 2018 were determined with reference to (i) CMBCI Group's revenue generated from the underwriting or similar business for the year ended 31 December 2016 of about HK\$30 million, which is higher than the annual caps for the two years ending 31 December 2017 and 2018 because (a) the caps are for referral fees which represents 40-50% of the actual underwriting fees and (b) the Group has been expanding its business since CMBCI Group becoming the controlling shareholder of the Company, and therefore the

Company expects that the Group will use its resources and efforts to solicit majority of the Underwriting Opportunities; (ii) the expected increment of the Underwriting Opportunities offered to CMBCI Group as CMBCI Group has built up a track record and reputation for underwriting services, and increased synergies with China Minsheng through active promotion of underwriting services to clients of China Minsheng; (iii) the current pipeline of underwriting referrals being followed up by the Group; (iv) the expected average referral fee rate in respect of CMBCI Underwriting Referral Services and (v) in respect of the period for the year ending 31 December 2017, the Service Agreement is expected to cover a period of approximately three months. However, since CMBCI Group has reserved certain Underwriting Opportunities since mid-2017 which are expected to be referred to the Group and launched in the last three months of 2017, the cap for the year ending 31 December 2017 is equal to half of that for the year ending 31 December 2018.

2. **Listco AM Services:** The Proposed Annual Caps for the Listco AM Services for the two years ending 31 December 2018 were determined with reference to (i) the estimated value of assets of AM Clients (including CMBCI Group) to be managed by the Group of HK\$4.2 billion and HK\$4.2 billion for the two years ending 31 December 2018, respectively, which are based on the amount of assets (including Managed Proceeds) that CMBCI Group indicated to appoint the Group as asset manager to manage, of which the value of the Managed Proceeds are expected to amount to HK\$3.6 billion and HK\$3.6 billion for each of the two years ending 31 December 2018, as CMBCI Group indicated it will maintain the same AM Related Products throughout the corresponding period; (ii) the expected average fee rates in respect of the Listco AM Services, including the distribution fee of 0.25% and average management fee of 0.75%; (iii) in respect of the period for the year ending 31 December 2017, the Service Agreement is expected to cover a period of approximately three months; and (iv) no performance fees being received for the two years ending 31 December 2018 since no distributions is expected to be made during this period. As the distribution fee charged for the subscription of AM Related Products, which is at the rate of 0.25%, is payable as a non-refundable lump sum at subscription (notwithstanding only three months up to 31 December 2017) and every subsequent anniversary (ie. for the year ending 31 December 2018), it is expected that the maximum distribution fees charged for the year ending 31 December 2017 will be the same as the distribution fees charged for the year ending 31 December 2018.

A Responsible Officer for type 1 regulated activity will, based on the basis for the Proposed Annual Caps disclosed above, monitor the annual caps for CMBCI Underwriting Referral Services. A Responsible Offer for type 9 regulated activity will, based on the basis for the Proposed Annual Caps disclosed above, monitor the annual caps for Listco AM Services.

Historical Transaction Figures

CMBCI has been a connected person of the Company since 31 May 2017. For the period from 31 May 2017 up to the date hereof, the historical transaction amount with CMBCI Group in respect of the Services was nil for Listco AM Services and nil for CMBCI Underwriting Referral Services.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SERVICE AGREEMENT

As mentioned in the composite document of the Company dated 7 June 2017, China Minsheng intends to build the brand and reputation of the Company while CMBCI intends to promote the Company's reputation, strengthen its domestic and overseas publicity, and attract more business opportunities. The Board considers that the entering into of the Service Agreement fully reflects such intentions and is an important step for the Group to leverage on the established network of China Minsheng and CMBCI Group and increase the client base of the Group. In addition, the provision of the Listco AM Services by the Group will provide stable revenue source for the Group. In light of the current scale of business, the recent business development trend, and the expected growth of the Group and the amount of the Proposed Annual Caps, the Directors expect that the Group's revenue derived from the Services for each of the two years ending 31 December 2018 will not represent a significant portion of the revenue of the Group during the corresponding period which will result in a significant reliance of the Group on CMBCI Group. The Company may, from time to time, consider to acquire suitable companies and business when opportunities arise. As at the date of this announcement, the Group did not have any intention, or had entered into any negotiation or agreement, arrangement or understanding to scale down and/or dispose of its business, nor does it has any concrete plan to make any acquisition (other than the proposed acquisition of CMBC International Capital Limited, which was disclosed in the announcement of the Company dated 27 July 2017).

The Board considers that the terms of the Service Agreement have been negotiated on an arm's length basis and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group. In view of the above and that the transactions contemplated under the Service Agreement are of revenue nature and will contribute positively to the Group's income, the Board considers that the terms of the Service Agreement are fair and reasonable and the entering into of the Service Agreement is in the interests of the Company and the Shareholders as a whole.

As Mr. Li Jinze, Mr. Ren Hailong and Mr. Liao Zhaohui, all being Directors, hold positions in CMBCI and/or its associates, they have abstained from voting for the approval of the Service Agreement at the Board meeting. Save for the above, no other Directors have any material interests in the Service Agreement or were otherwise required to evade or abstain from voting in respect of the relevant Board resolutions.

GENERAL INFORMATION

The Group is principally engaged in brokerage and related services, securities investment and provision of finance.

CMBCI is a direct wholly-owned subsidiary of China Minsheng and was established on 11 February 2015 in Hong Kong with the approval of China Banking Regulatory Commission. It has an issued share capital of HK\$2 billion and is principally engaged in the investment and investment holding.

LISTING RULES IMPLICATIONS

CMBCI is a controlling shareholder of the Company. As such, each of the members of CMBCI Group is a connected person of the Company and the Services constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (other than the profits ratio) pursuant to Rule 14.07 of the Listing Rules in respect of the Proposed Annual Caps exceed 5%, Services to be provided under the Service Agreement are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since CMBCI holds the entire issued share capital of CMBC Investment, CMBC Investment is treated to have a material interest in the Services to be provided under the Service Agreement. Accordingly, CMBC Investment and its associates are required to abstain from voting on the resolutions to be proposed at the SGM to approve the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps). As at the date of this announcement, CMBC Investment was interested in 27,568,649,093 Shares, representing approximately 60.22% of the issued share capital of the Company.

SGM

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The SGM will be held to consider and approve, among others, the ordinary resolutions regarding the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps). A circular containing, amongst other things, (i) further details of the Service Agreement and the Services contemplated thereunder (including the Proposed Annual Caps); (ii) the recommendation from the Independent Board Committee; (iii) the advice from the independent financial adviser in respect of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps); (iv) a notice convening the SGM; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders and posted on the website of the Stock Exchange (www.hkexnews.com.hk) and the website of the Company (www.cmbccap.com) on or around 10 October 2017.

DEFINITIONS

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

“Board”	the board of Directors from time to time
“China Minsheng”	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 1988) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600016)
“CMBC Investment”	CMBC International Investment Limited (民銀國際投資有限公司), a company incorporated in the British Virgin Islands, and a controlling shareholder of the Company

“CMBCI”	CMBC International Holdings Limited (民生商銀國際控股有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
“CMBCI Group”	CMBCI and its subsidiaries, excluding the members of the Group
“CMBCI Underwriting Referral Services”	the underwriting referral services to be provided by CMBCI Group to the Group pursuant to the Service Agreement
“Company”	CMBC Capital Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1141)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company from time to time
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Service Agreement and the Services to be provided thereunder
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin, Mr. Wang Lihua, which has been established to advise the Independent Shareholders on the terms of the Service Agreement and the Services to be provided thereunder

“Independent Shareholders”	the Shareholders other than CMBCI and its associates
“Independent Third Party(ies)”	any person(s) who is/are not connected person(s) of the Company
“Listco AM Services”	the asset management services to be provided by the Group to CMBCI Group pursuant to the Service Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	collectively, the proposed annual caps for the Services
“regulated activity(ies)”	has the meaning ascribed to it under the SFO
“Service Agreement”	the service agreement entered into between the Company (for itself and on behalf of other members of the Group) and CMBCI (for itself and on behalf of other members of CMBCI Group on 3 October 2017
“Services”	collectively, the Listco AM Services and the CMBCI Underwriting Referral Services
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	the special general meeting of the Company to be held at 10:00 a.m. on Thursday, 26 October 2017 at Units 6601A & 6607-8, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, or any adjournment thereof, for the Shareholders to consider and, if thought fit, approve the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps)

“Share(s)”	ordinary share(s) of the Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	shareholders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
CMBC Capital Holdings Limited
Li Jinze
Chairman

Hong Kong, 3 October 2017

As at the date of this announcement, the executive director of the Company is Mr. Li Jinze, the non-executive directors are Mr. Ren Hailong and Mr. Liao Zhaohui, and the independent non-executive directors are Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua.