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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**

The Board hereby announces that on 4 April 2019, 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) with retrospective effect from 1 January 2019 for a term of one year, pursuant to which, among other things:

- (a) the Group agreed to provide the asset management services to the AM Clients;
- (b) CMBCI Group agreed to provide the distribution services to the Group;
- (c) CMBCI Group agreed to provide the CMBCI Underwriting Referral Services to the Group; and
- (d) the Group agreed to provide the Underwriting Services to the Underwriting Clients.

#### **LISTING RULES IMPLICATIONS**

CMBCI is an indirect 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 0.1% but are less than 5%, the Services to be provided under the Service Agreement are subject to the reporting and announcement requirements, but are exempt from the circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated 4 October 2017 and 26 October 2017 and the circular of the Company dated 9 October 2017 in relation to the entering into the 2017 Service Agreement between the Company and CMBCI regarding continuing connected transactions contemplated thereunder. Following the expiry of the 2017 Service Agreement on 31 December 2018 and in view of the intention of the Company to continue certain types of transactions contemplated thereunder and explore new types of transactions with CMBCI after such expiry, and to facilitate the development of the business of the Group, on 4 April 2019, 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) with retrospective effect from 1 January 2019 for a term of one year for the Group's (i) provision of asset management services and (ii) receipt of CMBCI Underwriting Referral Services, as well as the Group's newly proposed (i) provision of Underwriting Services and (ii) receipt of distribution services.

## **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*

4 April 2019

### *Duration*

The Service Agreement shall take retrospective effect from 1 January 2019 to 31 December 2019 (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 and associate 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**”). 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 Opportunities 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 Opportunities 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 Opportunities 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 and may be adjusted by taking into account the potential return expected to be generated by engaging in the Underwriting Opportunities 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, and 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 the AM Clients, which includes CMBCI Group, 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 or its associates and forming assets to be managed by the Group in accordance with the arrangement of the Group and CMBCI Group 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 funds or investment products arranged by the Group to the AM Clients (the “**AM Related Products**”), and will procure the Listco AM Services for all the proceeds from such issues (the “**Managed Proceeds**”).

Pursuant to the Service Agreement, CMBCI Group agreed to provide distribution services to the Group for distributing the funds that are set up by the Group (the “**Funds**”).

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), distribution of the Funds 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 for the AM Related Products, and CMBCI Group will charge the Group distribution fees for distributing the Funds. The fees to be charged by the Group or CMBCI 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 the Group at the time of the distribution of the Funds. 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 CMBCI Group shall be approximately 0.25% to 2% of the amount of the Funds that are distributed by CMBCI Group;
- (2) the management fee rate to be charged by the Group shall be in accordance with the Group's and CMBCI Group's pricing policies, which are determined with reference to the market range of 0.5% and 5% of the total asset 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 performance fee rate to be charged by the Group shall be in accordance with the Group's and CMBCI Group's pricing policies, which are determined with reference to the level of the appreciation in the net asset value of the assets to be managed by the Group for the AM Clients during the performance period above the hurdle rate after deducting the management fee and will be decided by the relevant Responsible Officer in accordance with the Group's pricing policy applicable to all of its clients; and

the management fees and performance fees payable for each period are 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 2 above, determine the management fees and performance fees to be charged for each of the Listco AM Services;
- (4) the Responsible Officer, the senior management and the accounts department of the Company 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.

(c) *Underwriting Services*

Pursuant to the Service Agreement, the Group also agreed to provide underwriting services and sub-underwriting services to CMBCI Group, its associates and/or any third parties who are deemed to be connected with the Company under Rule 14A.20 of the Listing Rules (the “**Underwriting Clients**”), for securities (including but not limited to securities issued by the Underwriting Clients) as contemplated under the Service Agreement, which generally involves type 1 regulated activity in Hong Kong.

Pricing Basis

Details of the payment and pricing terms of the Underwriting Services will be specified in the individual underwriting agreement and will be negotiated on an arm’s length basis between the Group and the relevant Underwriting Clients.

Settlement Terms

Unless otherwise specified in the individual underwriting agreement, the underwriting fees or commission shall be deducted from the proceeds after completion of the respective transaction of the Underwriting Clients.

Internal Control

To ensure that the terms for the Underwriting 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 underwriting fee or commission to be charged by the Group under the Underwriting Services shall be within the range of 0.3% and 1% of the monetary value of the securities underwritten taking into account factors including but not limited to (i) prevailing market rates of similar services charged by companies with similar size of operations and reputation of the relevant Group company at the relevant time; (ii) size and nature of the relevant transaction; (iii) resources to be incurred and the complexity in the provision of the Underwriting Services; (iv) fees charged by the Group for similar services to Independent Third Parties in the past; and (v) anticipated market response to the securities to be underwritten;



- (2) the Responsible Officer, the senior management and the accounts department of the Company will conduct regular checks to review the prevailing comparable market rates, quotations or invoices issued to Independent Third Parties for comparison and as a reference to assess whether the fee charged for the Underwriting Service is fair and reasonable in accordance with the aforesaid pricing policy; and
- (3) the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Underwriting Services.

## **HISTORICAL TRANSACTION AMOUNT, PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION**

Historical transaction amount for the nine months ending 31 December 2018 are set out below:

	<b>For the year ending 31 December 2018 (HK\$ million)</b>
<b>CMBCI Underwriting Referral Services</b>	1.5*
<b>Listco AM Services</b>	17.2*

\* *Unaudited figure*

The Proposed Annual Caps for the year ending 31 December 2019 are set out below:

	<b>For the year ending 31 December 2019 (HK\$ million)</b>
<b>CMBCI Underwriting Referral Services*</b>	9.99
<b>Listco AM Services</b>	9.99
– Distribution fees*	0.09
– Management fees	9
– Performance fees	0.9
<b>Underwriting Services</b>	9.99

\* *Fees to be payable by the Group to CMBCI Group*

## **Basis for the Proposed Annual Caps**

1. **CMBCI Underwriting Referral Services:** The Proposed Annual Caps for CMBCI Underwriting Referral Services for the year ending 31 December 2019 were determined with reference to (i) CMBCI Group's development and synergistic strategies to promoting the linkage, and effective integration of business resources, level of operation and management among the group members (including the Group), which are expected to further increase the internal cooperation within the CMBCI Group and result in growth in size and scope of connected transactions among the group members; (ii) the amount of referral fee expected to be generated from ongoing underwriting transactions in 2018; (iii) the expected increment of the Underwriting Opportunities offered to the Group as the Group has a track record and reputation for underwriting services, and increased synergies with CMBCI Group through active promotion of underwriting services to clients of CMBCI Group; (iv) the current pipeline of underwriting referrals being followed up by the Group; and (v) the expected average referral fee rate in respect of CMBCI Underwriting Referral Services.
2. **Listco AM Services:** The Proposed Annual Caps for Listco AM Services for the year ending 31 December 2019 were determined with reference to: (i) the expected improvement of the capital market condition in 2019 under which the Group expects an estimated increase in management fee by establishing three new equity-related funds in 2019; (ii) the expected business growth of CMBCI Group in the future; (iii) the estimated value of assets of AM Clients (including CMBCI Group) to be managed by the Group in 2019, which are based on the amount of assets (including Managed Proceeds) that CMBCI Group indicated to appoint the Group as asset manager to manage; (iv) the expected fee rates in respect of the Listco AM Services, including the distribution fee of 0.25% to 2% to be charged by CMBCI Group and management fee of 0.5% to 5% and performance fee rate to be charged by the Group shall be in accordance with the Group's and CMBCI Group's pricing policy, which are determined with reference to of the level of the appreciation in the net asset value of the assets to be managed by the Group for the AM Clients during the performance period above the hurdle rate after deducting the management fee and will be decided by the relevant Responsible Officer in accordance with the Group's pricing policy applicable to all of its clients; (v) a buffer added to the total fee estimated for Listco AM Services to allow an increase in total fee received (including management fee and performance fee) due to the unexpected volatility of performance of investment funds; (vi) the estimated annual growth rate assumed for existing investment funds which is determined with reference to the annual growth rate of other investment funds in the market and indicates an expected increase in net asset value of the Funds; (vii) an expected management fee from all the existing AM Related Products managed by the Group; and (viii) an expected return with respect to the Funds.

3. **Underwriting Services:** The Proposed Annual Caps for Listco AM Services for the year ending 31 December 2019 were determined with reference to: (i) the respective principal amount of bonds issued by CMBCI Group and its associates; (ii) the estimated total amount of securities to be issued by CMBCI Group to be underwritten or placed by the Group for the year ending 31 December 2019; (iii) the expected business of CMBCI Group and its associates in the future and its and their plan of public and/or private issuance of bonds; (iv) the relevant commission rates to be charged by the Group in accordance with the Group's pricing policy, which are determined with reference to the market rate for securities underwriting and placing respectively; and (v) a buffer to provide flexibility to cater for any potential fluctuations of the actual size of the projects and market conditions over the term of the Service Agreement.

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 and Underwriting Service. 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.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SERVICE AGREEMENT**

The Board considers that the entering into the Service Agreement will continue to contribute in building the brand and reputation of the Company, promoting the Company's reputation, strengthening its domestic and overseas publicity, and attracting more business opportunities. The Service Agreement and the transactions contemplated thereunder also allow the Group to leverage on the established network of 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 historical transaction amount in relation to the similar transactions provided under the 2017 Service Agreement, 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 the year ending 31 December 2019 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. 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.

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 on normal commercial terms 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. Ding Zhisuo, 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 an indirect 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 0.1% but are less than 5%, Services to be provided under the Service Agreement are subject to the reporting and announcement requirements, but are exempt from circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“2017 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
“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 direct 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 an indirect 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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	the Shareholders other than CMBC Investment 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 the AM Clients and the distribution services to be provided by CMBCI Group to the 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 4 April 2019
“Services”	collectively, the Listco AM Services, the CMBCI Underwriting Referral Services and the Underwriting Service

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Underwriting Services”	the underwriting and sub-underwriting services to be provided by the Group to CMBCI Group pursuant to the Service Agreement
“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, 4 April 2019

*As at the date of this announcement, the executive directors of the Company are Mr. Li Jinze, Mr. Ding Zhisuo and Mr. Ng Hoi Kam; 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.*