
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, registered institution in securities, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in CMBC Capital Holdings Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**(I) CONTINUING CONNECTED TRANSACTIONS
UNDER THE SERVICE AGREEMENT
AND
(II) CONDITIONAL TERMINATION OF 2019 SERVICE AGREEMENT
AND
(III) NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A notice convening the SGM to be held at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Monday, 23 September 2019 at 9:30 a.m. is set out on pages 5 to 24 of this circular.

Whether or not you are able to attend and vote at the SGM, you are requested to read the notice and to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time fixed for holding the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

30 August 2019

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DEFINITIONS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

“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
“2019 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 as amended by a supplemental agreement between the parties thereto on 29 May 2019 details of which were disclosed in the announcements of the Company dated 4 April 2019 and 29 May 2019
“AM Clients”	China Minsheng Group, its associates or any third parties who are deemed to be connected with the Company under Rule 14A.20 of the Listing Rules
“AM Related Products”	the equity or debt securities or funds or investment products arranged by the Group to China Minsheng Group and its associates
“Board”	the board of Directors
“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)
“China Minsheng Group”	China Minsheng and its subsidiaries, excluding the members of the Group
“China Minsheng Underwriting Referral Services”	the underwriting referral services to be provided by China Minsheng Group to the Group pursuant to the Service Agreement

DEFINITIONS

“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 the indirect controlling shareholder of the Company and a wholly owned subsidiary of China Minsheng
“CMBCI Group”	CMBCI and its subsidiaries, excluding the members of the Group
“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)
“Conditional Termination Agreement”	the conditional termination 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 23 July 2019
“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”	the directors of the Company
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 and 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 China Minsheng and its associates
“Independent Third Party(ies)”	any person(s) who is/are not connected person(s) of the Company
“Latest Practicable Date”	28 August 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listco AM Services”	the asset management services investment advisory services and ancillary services to be provided by the Group to the AM Clients and the distribution services to be provided by China Minsheng Group to the Group pursuant to the Service Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, for the purpose of this circular 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
“RMB”	Renminbi, the lawful currency in the PRC
“securities”	has the meaning ascribed to it under the SFO

DEFINITIONS

“Service Agreement”	the service agreement entered into between the Company (for itself and on behalf of other members of the Group) and China Minsheng (for itself and on behalf of other members of China Minsheng Group other than members of the Group) on 23 July 2019
“Services”	collectively, the Listco AM Services, the China Minsheng Underwriting Referral Services and the Underwriting Services
“SFC”	the Securities and Futures Commission
“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 9:30 a.m. on Monday, 23 September 2019 at 45/F, One Exchange Square, 8 Connaught Place, Central, 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
“Underwriting Services”	the underwriting services and sub-underwriting services for securities (including but not limited to securities issued by China Minsheng Group) to be provided by the Group to China Minsheng Group pursuant to the Service Agreement
“US\$”	United States dollar, the lawful currency in the United States
“%”	per cent

LETTER FROM THE BOARD



CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)

Executive Directors:

Mr. Li Jinze (*Chairman*)

Mr. Ding Zhisuo

Mr. Ng Hoi Kam

Non-executive Directors:

Mr. Ren Hailong

Mr. Liao Zhaohui

Independent non-executive Directors:

Mr. Lee, Cheuk Yin Dannis

Mr. Wu Bin

Mr. Wang Lihua

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business:

45/F, One Exchange Square

8 Connaught Place

Central

Hong Kong

30 August 2019

To the Shareholders

Dear Sir or Madam,

**(I) CONTINUING CONNECTED TRANSACTIONS
UNDER THE SERVICE AGREEMENT
AND
(II) CONDITIONAL TERMINATION OF 2019 SERVICE AGREEMENT
AND
(III) NOTICE OF SPECIAL GENERAL MEETING**

I. INTRODUCTION

The purpose of this circular, to which this letter forms a part of, is to provide you with all the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the SGM regarding the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps).

LETTER FROM THE BOARD

II. CONTINUING CONNECTED TRANSACTIONS UNDER THE SERVICE AGREEMENT

1. Introduction

Reference is made to the announcement of the Company dated 23 July 2019 in respect of the continuing connected transactions contemplated under the Service Agreement.

On 23 July 2019, the Company (for itself and on behalf of other members of the Group) entered into the Service Agreement with China Minsheng (for itself and on behalf of other members of China Minsheng Group other than members of the Group), pursuant to which, among other things:

- (a) China Minsheng Group agreed to provide the China Minsheng Underwriting Referral Services to the Group;
- (b) the Group agreed to provide the asset management services, investment advisory service and ancillary services to the AM Clients and China Minsheng Group agreed to provide the distribution services to the Group; and
- (c) the Group agreed to provide the Underwriting Services to China Minsheng 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.

Shareholders are advised to review the advice letters from the Independent Board Committee and Gram Capital as set out in this circular.

LETTER FROM THE BOARD

2. The Service Agreement

Parties

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

Date

23 July 2019

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 2021 (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 any 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 China Minsheng 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 or by 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 China Minsheng 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.

LETTER FROM THE BOARD

(a) China Minsheng Underwriting Referral Services

Pursuant to the Service Agreement, China Minsheng 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 clients which generally involves type 1 regulated activity in Hong Kong as defined under the SFO (the “**Underwriting Opportunities**”). The Group has the sole discretion on accepting any of the Underwriting Opportunities introduced, referred and communicated by China Minsheng Group.

Pricing Basis

Details of the payment and pricing terms of the China Minsheng 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 China Minsheng Group and on terms no less favourable to the Group than those offered to and from Independent Third Parties referral agents.

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 from the Independent Third Party clients.

Internal Control

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

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 clients; and

LETTER FROM THE BOARD

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 referral fee to be charged by the relevant member of China Minsheng Group, 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 China Minsheng Group will be responsible for assessing the Underwriting Opportunities and decide whether or not to engage in such opportunities.

To ensure that the terms for the China Minsheng 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 China Minsheng Group generally represents no more than 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 referral fee will be negotiated by the Group with China Minsheng Group on an arms’ length basis and on terms no less favourable to the Group than those offered to and from Independent Third Parties referral agents. The Responsible Officer who does not hold any position in China Minsheng 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;

LETTER FROM THE BOARD

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 China Minsheng Underwriting Referral Services;
3. the senior management and the accounts department of the Company will conduct regular checks to review and assess whether the referral fee charged for the China Minsheng Underwriting Referral Services 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 China Minsheng 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 China Minsheng Group, by reviewing the Group's relevant internal approval documents and discussions with the relevant Responsible Officer accepting the Underwriting Opportunities.

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 China Minsheng 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 China Minsheng Group.

LETTER FROM THE BOARD

(b) Listco AM Services

Pursuant to the Service Agreement, the Group agreed to provide asset management services, investment advisory service and ancillary services to the AM Clients.

Pursuant to the Service Agreement, China Minsheng 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 between the Group and the AM Clients or the individual service agreement between the Group and China Minsheng Group 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).

Pricing Basis

The Group will charge the AM Clients management fees, advisory fees and performance fees for the AM Related Products, and China Minsheng Group will charge the Group distribution fees for distributing the Funds. The fees to be charged by the Group or China Minsheng 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’s 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 client agreement or the individual service contract and will be negotiated on an arm’s length basis between the Group and the relevant AM Clients and on terms no less favourable to the Group than those offered to and from Independent Third Parties.

LETTER FROM THE BOARD

Settlement Terms

Unless otherwise specified in the individual client agreement or the individual service contract, the distribution fees shall be settled by the Group at the time of the distribution of the Funds and at subsequent anniversaries. The management fees and advisory 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 China Minsheng Group shall be approximately 0.25% to 2% of the amount of the Funds that are distributed by China Minsheng Group;
2. the management fee rate and the advisory fee rate to be charged by the Group shall be in accordance with the Group's and China Minsheng Group's pricing policies, which are determined with reference to the market range of 0.5% to 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 China Minsheng Group's pricing policies, which are determined with reference to approximately 20% 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;

LETTER FROM THE BOARD

the management fees, advisory 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 paragraph 2 above, determine the management fees, advisory 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 to China Minsheng Group for securities (including but not limited to securities issued by China Minsheng Group) 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 China Minsheng Group and on terms no less favourable to the Group than those offered to Independent Third Parties.

LETTER FROM THE BOARD

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 China Minsheng Group.

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 0.2% to 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 Services 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.

LETTER FROM THE BOARD

Proposed Annual Caps

The Proposed Annual Caps for the next three years ending 31 December 2021 are set out below:

	For the year ending 31 December		
	2019	2020	2021
	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
China Minsheng			
Underwriting			
Referral Services*	12	12	12
Listco AM Services	141	141	141
– Distribution fees*	5	5	5
– Management fees			
and advisory fees	94	94	94
– Performance fees	42	42	42
Underwriting Services	11	11	11

* Fees to be payable by the Group to China Minsheng Group

1. China Minsheng Underwriting Referral Services

(a) Historical Transactions Amount

The historical transaction amount of underwriting referral services offered by the CMBCI Group to the Group pursuant to the 2017 Service Agreement for the financial year ended 31 December 2018 are as follows.

	For the financial year ended 31 December 2018 <i>(HK\$ million)</i>
Annual Cap	20
Actual transaction amount	4.6

During the term of the 2017 Service Agreement, the transaction amounts fell short of the Company's expectation because of the poor capital market condition during the same period of time.

LETTER FROM THE BOARD

(b) Basis of the Proposed Annual Caps

The Proposed Annual Caps for China Minsheng Underwriting Referral Services for the next three years ending 31 December 2021 were determined with reference to:

- (i) China Minsheng Group's development and synergistic strategies of 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 China Minsheng Group and result in growth in size and scope of connected transactions among the group members;
- (ii) referral fee of approximately HK\$4.6 million paid out by the Group to the branches of China Minsheng for transactions in 2018;
- (iii) the expected increment of the Underwriting Opportunities offered to the Group as China Minsheng Group has 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;
- (iv) the current pipeline of underwriting referrals being followed up by the Group; and
- (v) the expected average referral fee rate in respect of China Minsheng Underwriting Referral Services.

LETTER FROM THE BOARD

2. Listco AM Services

(a) Historical Transactions Amount

The historical transaction amount of asset management services offered by the Group to the CMBCI Group pursuant to the 2017 Service Agreement for the financial year ended 31 December 2018 are as follows.

	For the financial year ended 31 December 2018 (HK\$ million)
Annual Cap	41
Actual transaction amount	24.2

In 2018, the Company planned to launch numerous funds. The establishment of the above funds was postponed to a later date in the year 2018 or in the year of 2019 because of poor capital market condition. In addition, the Company has experienced competition that is more fierce than expected which limited the Company's ability in raising the management fee. In addition, due to the market condition, the Company has also experienced difficulties in hiring capable salesperson for the purpose of building up a solid distribution channel. For the above mentioned reasons, the selling volume in year 2018 has been lower than expected. Further, for the same reasons, the Company has postponed the establishment of private equity funds. In particular, the setup of the private equity funds was rescheduled from the second quarter to the third quarter of year 2018. Consequently, the amount of the management fee received by the Company pursuant to the 2017 Service Agreement did not meet the Company's expectation owing to the short duration of subsistence period of the investment funds in 2018. Further, no distribution was made in 2018 as most investment funds were set up in the second half of year 2018.

LETTER FROM THE BOARD

(b) Basis of the Proposed Annual Caps

The Proposed Annual Caps for Listco AM Services for the three years ending 31 December 2021 were determined with reference to:

- (i) the expected improvement of the capital market condition in the next three years, under which the Group expects an estimated increase in management fee to US\$5.18 million by establishing three new equity-related funds in 2019;
- (ii) the expected business growth of China Minsheng Group in the future;
- (iii) the estimated value of assets of AM Clients (including China Minsheng Group) to be managed by the Group of HK\$8 billion, HK\$10 billion and HK\$12.5 billion for the three years ending 31 December 2021, respectively, which are based on the amount of assets (including proceeds from issuing AM Related Products) that China Minsheng Group indicated to appoint the Group as asset manager to manage, of which the value of the proceeds from issuing AM Related Products are expected to amount to HK\$32 million, HK\$40 million and HK\$50 million for each of the three years ending 31 December 2021, as China Minsheng Group indicated it will maintain the same AM Related Products throughout the corresponding period;
- (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 China Minsheng 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 China Minsheng Group's pricing policy, which are determined with reference to approximately 20% 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;

LETTER FROM THE BOARD

- (v) a buffer added to the total fee estimated for Listco AM Services to allow an increase in total fee received (including management fee, performance fee and distribution fee) due to the unexpected volatility of performance of investment funds. We note that the buffer for each of the Proposed Annual Caps is calculated on the basis that there will be an upside deviation of 10% in net asset value of the funds as at each valuation day. Having considered the recent fluctuations in the investment markets, we consider that the basis of arriving in the buffer is acceptable;
- (vi) the estimated annual growth rate of 25% assumed for existing investment funds for the three years ending 31 December 2021, 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 and advisory fee of approximately US\$3.68 million from all the existing AM Related Products managed by the Group; and
- (viii) an expected return ranging from 0% to 10% with respect to fixed income funds and below 50% with respect to equity funds and private equity funds.

3. Underwriting Services

(a) Basis of the Proposed Annual Caps

The Proposed Annual Caps for Underwriting Services for the three years ending 31 December 2021 were determined with reference to:

- (i) the respective principal amount of bonds issued by China Minsheng Group for the three years ending 31 December 2018 of approximately US\$1,439 million, US\$700 million and US\$1,000 million, respectively;
- (ii) the estimated total amount of securities to be issued by China Minsheng Group to be underwritten or placed by the Group for the three years ending 31 December 2021;

LETTER FROM THE BOARD

- (iii) the expected business of China Minsheng Group in the future and its plan of public and/or private issuance of bonds for the three years ending 31 December 2021 would be similar to the three years ending 31 December 2018 of about US\$1,439 million, US\$700 million and US\$1,000 million, respectively;
- (iv) the relevant commission rates to be charged by the Group for securities dealing, underwriting and placing, in accordance with the Group's pricing policy, which are determined with reference to the market rate of below 1% for securities underwriting and placing respectively; and
- (v) a buffer of approximately 10% 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 China Minsheng Underwriting Referral Services and Underwriting 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.

3. Reasons for and Benefits of Entering into the Service Agreement

The Board considers that the entering into of 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 China Minsheng 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, 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 three years ending 31 December 2021 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 China Minsheng Group. As at the Latest Practicable Date, the Group did not have any intention to enter, and had not entered into any negotiation or agreement, arrangement or understanding to scale down and/or dispose of its business, nor does it have any concrete plan to make any acquisition.

LETTER FROM THE BOARD

The Board (including the independent non-executive Directors, whose opinion after taking into account the advice of Gram Capital, is included in the section headed “Letter from the Independent Board Committee” in this circular) 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 (including the independent non-executive Directors, whose opinion after taking into account the advice of Gram Capital, is included in the section headed “Letter from the Independent Board Committee” in this circular) 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 China Minsheng 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.

4. Listing Rules Implications

China Minsheng is the controlling shareholder of the Company which holds 28,940,929,093 Shares, representing approximately 60.67% of the issued share capital of the Company. Therefore, each of the members of China Minsheng Group is a connected person of the Company. As such, the Services under the Service Agreement 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.

5. General Information

As at the date of this circular, the Group is principally engaged in the securities business, investment and financing and asset management and advisory business.

LETTER FROM THE BOARD

With reference to the annual report of China Minsheng for the year ended 31 December 2018, China Minsheng Group mainly provide corporate and personal banking, treasury business, finance leasing, fund and asset management, investment banking and other financial services in the PRC. China Minsheng Group recorded total assets and net profit of approximately RMB5,994,822 million as at 31 December 2018 and RMB50,330 million for the year ended 31 December 2018 respectively. As at 31 December 2018, the sales network of China Minsheng had covered 125 cities in the PRC, including 132 branch-level institutions (including 41 tier-one branches, 82 tier-two branches and 9 remote sub-branches), 1,144 business outlets of sub-branches (including business departments), 1,347 community sub-branches, 157 small business sub-branches and 3,410 self-service banks (including on-site and off-site self-service banks), 6,888 self-service machines and 927 remote service equipment.

III. CONDITIONAL TERMINATION OF 2019 SERVICE AGREEMENT

Reference is made to the announcements of the Company dated 4 April 2019 and 29 May 2019 in relation to the entering into of the 2019 Service Agreement with CMBCI (for itself and on behalf of other members of CMBCI Group) for certain continuing connected transactions between the Group and CMBCI Group with effect from 1 January 2019 to 31 December 2019 (both days inclusive).

Since CMBCI is the wholly owned subsidiary of China Minsheng, given the entering into of the Service Agreement between the Group and China Minsheng Group in form and substance similar to the 2019 Service Agreement, to avoid double counting of annual caps and possible confusion to Shareholders of the Company, the Company (for itself and for and on behalf of other members of the Group) and CMBCI (for itself and on behalf of other members of CMBCI Group) entered into the Conditional Termination Agreement on 23 July 2019 (after trading hours), whereby the 2019 Service Agreement shall terminate and each of the parties thereto shall release and discharge the other party from all obligations under the 2019 Service Agreement, subject to the Service Agreement coming into effect upon the approval of the Service Agreement and the Services by the Independent Shareholders.

IV. CLOSURE OF REGISTER OF MEMBER

The SGM is scheduled to be held on Monday, 23 September 2019. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 18 September 2019 to Monday, 23 September 2019, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 September 2019.

LETTER FROM THE BOARD

V. THE SGM AND VOTING AT THE SGM

The SGM will be convened and held at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Monday, 23 September 2019 at 9:30 a.m.. The SGM Notice is set out on pages 51 to 52 of this circular, which contains, *inter alia*, ordinary resolutions to approve (i) the Service Agreement, (ii) the Services to be provided thereunder, and (iii) the Proposed Annual Caps.

For the purpose of compliance with Rule 13.39(4) of the Listing Rules, the Company will procure the chairman of the SGM to demand for a poll for the ordinary resolutions put to the vote of the SGM in accordance with the bye-laws of the Company.

Since China Minsheng indirectly 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 Latest Practicable Date, CMBC Investment was interested in 28,940,929,093 Shares, representing approximately 60.67% of the issued share capital of the Company.

VI. ACTION TO BE TAKEN

A form of proxy for use at the SGM is also enclosed. Whether or not you are able to attend and vote at the SGM, you are requested to read the notice and to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time appointed for holding the SGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish and in such event, the form of proxy shall be deemed to be revoked.

VII. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 25 of this circular and the letter from Gram Capital set out on pages 26 to 47 of this circular. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolutions regarding the Service Agreement and the transactions contemplated thereunder. The Directors (including the independent non-executive Directors) are of the view that the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable, on normal commercial terms in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders

LETTER FROM THE BOARD

as a whole. The Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Service Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). Accordingly, the Board recommends the Shareholders to consider and vote in favour of the resolutions to be proposed at the SGM in these regards.

VIII. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)

30 August 2019

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS UNDER THE SERVICE AGREEMENT

We refer to the circular of the Company dated 30 August 2019 (the “**Circular**”), of which this letter forms a part. Terms defined therein shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable, on normal commercial terms in the ordinary and usual course of business of the Company, 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 us and the Independent Shareholders in this respect.

Having considered the terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps), and taken into account the advice of Gram Capital, we are of the view that the terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable, on normal commercial terms in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps).

Yours faithfully,

For and on behalf of

the Independent Board Committee

Mr. Lee, Cheuk Yin Dannis

Mr. Wu Bin

Mr. Wang Lihua

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Services for the purpose of inclusion in this circular.



Gram Capital Limited
嘉林資本有限公司

Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

30 August 2019

*To: The independent board committee and the independent shareholders of
CMBC Capital Holdings Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS UNDER THE SERVICE AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Services, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 30 August 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 23 July 2019 (after trading hours), the Company (for itself and on behalf of other members of the Group) entered into the Service Agreement with China Minsheng (for itself and on behalf of other members of China Minsheng Group other than members of the Group), pursuant to which, among other things: (a) China Minsheng Group agreed to provide the China Minsheng Underwriting Referral Services to the Group; (b) the Group agreed to provide the asset management services, investment advisory service and ancillary services to the AM Clients; (c) China Minsheng Group agreed to provide the distribution services to the Group; and (d) the Group agreed to provide the Underwriting Services to China Minsheng Group.

With reference to the Board Letter, the Services constitute continuing connected transactions of the Company and are subject to the reporting, announcement, circular, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Independent Board Committee comprising Mr. Lee Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Service Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Services are in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Service Agreement and transactions contemplated thereunder at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Services. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

LETTER FROM GRAM CAPITAL

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, China Minsheng or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Services. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Services, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Group is principally engaged in the securities business, investment and financing and asset management and advisory business.

LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial information of the Group for the six months ended 30 June 2019, the year ended 31 December 2018 and the nine months ended 31 December 2017 as extracted from the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”) and the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”):

	For the six months ended 30 June 2019 <i>HK\$'000</i> (unaudited)	For the year ended 31 December 2018 <i>HK\$'000</i> (audited)	For the nine months ended 31 December 2017 (Note) <i>HK\$'000</i> (audited)
Revenue from continuing operation	447,101	791,190	165,180
– Securities	61,604	135,982	73,059
– Investment and financing	339,820	465,286	49,069
– Asset management, corporate finance and advisory	45,677	189,922	43,052
Profit for the period/year from continuing operation	150,315	245,196	118,363

Note: With reference to the announcement of the Company dated 14 July 2017, the financial year end date of the Company changed from 31 March to 31 December.

According to the above table, the Group recorded revenue from continuing operation of approximately HK\$791.19 million for the year ended 31 December 2018 (“**FY2018**”), representing an increase of approximately 378.99% as compared to that for the nine months ended 31 December 2017. Each of the securities; investment and financing; and asset management, corporate finance and advisory segment recorded substantial increase in revenue for FY2018 as compared to that for the nine months ended 31 December 2017.

The Group recorded a profit from continuing operation of approximately HK\$245.20 million for FY2018, representing an increase of approximately 107.16% as compared to that for the nine months ended 31 December 2017.

With reference to the 2018 Annual Report, the Group had built a cooperative development system with China Minsheng Bank in a regular and efficient manner, through which it can leverage the vast network and the enormous customer base of China Minsheng Bank to facilitate the comprehensive and rapid development of the Group in the areas of securities trading and brokerage, asset management, investment banking, structured finance, direct investment, etc. Despite an average performance of the Hong Kong stock market, with the strenuous support by China Minsheng Bank and well-coordinated execution of the management, the Company recorded encouraging results of operation for FY2018.

LETTER FROM GRAM CAPITAL

The Group recorded revenue of approximately HK\$447.10 million for the six months ended 30 June 2019 (“**HY2019**”), representing an increase of approximately 29.94% as compared to that for the six months ended 30 June 2018 (“**HY2018**”). With reference to the 2019 Interim Report, the increase was mainly due to the contribution from the investment and financing segment during HY2019. For HY2019, the Group recorded profit of approximately HK\$150.32 million, representing an increase of approximately 49.71% as compared to that for HY2018.

Information on China Minsheng

With reference to the Board Letter, China Minsheng is a controlling Shareholder.

With reference to China Minsheng’s annual report for FY2018, China Minsheng and its subsidiaries mainly provides corporate and personal banking, treasury business, finance leasing, asset management and other financial services in the PRC. China Minsheng Group (including the Group) recorded total assets of approximately RMB5,994,822 million as at 31 December 2018 and net profit attributable to China Minsheng’s equity shareholders of RMB50,327 million for FY2018 respectively. As at 31 December 2018, the sales network of China Minsheng had covered 125 cities in the PRC, including 132 branch-level institutions (including 41 tier-one branches, 82 tier-two branches and 9 remote sub-branches), 1,144 business outlets of sub-branches (including business departments), 1,347 community sub-branches, 157 small business sub-branches and 3,410 self-service banks (including on-site and off-site self-service banks), 6,888 self-service machines and 927 remote service equipment.

Reasons for and benefits of the Services

With reference to the Board Letter, the Board considers that the entering into of 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 China Minsheng and CMBCI Group and increase the client base of the Group.

As mentioned above, the Group had built a cooperative development system with China Minsheng in a regular and efficient manner.

LETTER FROM GRAM CAPITAL

We noted that the Group conducted a number of business activities with China Minsheng Group in recent years, for example:

- With reference to the announcement of the Company dated 3 October 2017, the Company entered into the 2017 Service Agreement with CMBCI, a direct wholly-owned subsidiary of China Minsheng, pursuant to which (i) 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; and (ii) CMBCI and its subsidiaries (other than the members of the Group) agreed to introduce, refer and communicate underwriting opportunities offered by independent third parties to the Group.
- With reference to the announcement of the Company dated 5 February 2018, CMBC Securities Company Limited, a direct wholly-owned subsidiary of the Company, agreed to act as one of the lead managers for China Minsheng Hong Kong Branch's issuance of notes issued under a US\$5 billion medium term note programme and to procure the investors to subscribe for the notes. China Minsheng Hong Kong Branch agreed to pay CMBC Securities Company Limited a commission of US\$1 million.
- With reference to the announcements of the Company dated 23 July 2017, 27 December 2017, 2 May 2018 and 10 August 2018, the Company obtained unsecured loan facilities (up to a maximum aggregate amount of HK\$8 billion) from CMBCI for the purpose of, inter alia, developing the Group's securities investment and provision of finance businesses.
- With reference to the announcements of the Company dated 3 July 2018 and 15 October 2018, the Company entered into a subscription agreement with CMBCI, pursuant to which the Company has conditionally agreed to allot and issue, and CMBCI has conditionally agreed to subscribe for, 1,350,000,000 new Shares. As further mentioned in the announcements, the subscription reflected the confidence, commitment and support of and by CMBCI (a direct wholly-owned subsidiary of China Minsheng) towards the long-term and sustainable development of the Company, and that such continuing support of CMBCI is crucial to ensure the business stability and long-term development of the Group. The subscription would also accelerate the Company's growth by further strengthening the capital base and financial position of the Company and laying down a more solid foundation for the future business development, mergers and acquisitions. The subscription completion took place on 15 October 2018 and the net proceeds of the subscription was approximately HK\$490 million.

LETTER FROM GRAM CAPITAL

As advised by the Directors, the Services will be conducted in the ordinary and usual course of business of the Group and on a frequent and regular basis. Therefore, the Directors consider that it would be costly and impracticable to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules.

Having considered the above, we concur with the Directors that the Services are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Service Agreement

Set out below are the summarised terms of Service Agreement. Details of the Service Agreement are set out under the section headed “The Service Agreement” of the Board Letter.

Date:

23 July 2019

Parties:

(i) the Company (for itself and on behalf of other members of the Group); and (ii) China Minsheng (for itself and on behalf of other members of China Minsheng Group other than members of the Group)

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 2021 (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 any 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 China Minsheng 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 or by any Independent Third Party for services of a similar kind (if any).

LETTER FROM GRAM CAPITAL

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 China Minsheng 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) China Minsheng Underwriting Referral Services

Pursuant to the Service Agreement, China Minsheng 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 clients which generally involves type 1 regulated activity as defined under the SFO in Hong Kong (the “**Underwriting Opportunities**”). The Group has the sole discretion on accepting any of the Underwriting Opportunities introduced, referred and communicated by China Minsheng Group.

Pricing Basis:

Details of the payment and pricing terms of the China Minsheng 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 China Minsheng Group and on terms no less favourable to the Group than those offered by Independent Third Parties referral agents.

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 from the Independent Third Party clients.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Group will consider the following factors when deciding on the acceptance of the Underwriting Opportunities: (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 clients; 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 referral fee to be charged by the relevant member of China Minsheng Group, the expected cost of labour and time to be incurred by the staff of the Group). The relevant Responsible Officer who does not hold any position in China Minsheng Group will be responsible for assessing the Underwriting Opportunities and decide whether or not to engage in such opportunities.

As further mentioned in the Board Letter, the Company will adopt certain internal control measures (the “**Referral IC Measures**”) to ensure that the terms for the China Minsheng 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. Details of the Referral IC Measures are set out in the sub-section headed “Internal Control” under the section headed “(a) China Minsheng Underwriting Referral Services” of the Board Letter.

Pursuant to the Referral IC Measures, among other things:

- (1) the referral fee to be charged by China Minsheng Group generally represents no more than 50% of the gross commission or fee to be charged by the Group for the relevant underwriting service (the “**Referral Fee Mechanism**”) 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 referral fee will be negotiated by the Group with China Minsheng Group on an arms’ length basis and on terms no less favourable to the Group than those offered by Independent Third Parties referral agents. The Responsible Officer who does not hold any position in China Minsheng 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; and

LETTER FROM GRAM CAPITAL

- (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 relevant Underwriting Opportunities, are of the view that a higher fee rate is fair and reasonable for the relevant China Minsheng Underwriting Referral Services.

As advised by the Directors, despite that none of Independent Third Party clients referred any underwriting opportunities to the Group during 2017, 2018 and the first six months of 2019, the Referral Fee Mechanism is in line with that under similar transactions within the China Minsheng Group. For our due diligence purpose, we obtained certain individual cooperation agreements regarding bonds issuance projects entered into between members of CMBCI Group and members of China Minsheng Group in 2018. As advised by the Directors, the transactions contemplated under such agreements are of similar nature as the China Minsheng Underwriting Referral Services. We noted from the aforesaid agreements that the income generated from the bonds issuance projects would be shared by the respective member of CMBCI Group and the respective member of China Minsheng Group equally (which is in line with the Referral Fee Mechanism). As such, we consider the Referral Fee Mechanism to be fair.

Having considered that the Referral Fee Mechanism is in line with that under similar transactions within the China Minsheng Group and that (i) the senior management and the accounts department of the Company will conduct regular checks to review and assess whether the referral fee charged for the China Minsheng Underwriting Referral Service is fair and reasonable in accordance with the pricing policy; and (ii) the Company's external auditor and the independent non-executive Directors will conduct an annual review of the China Minsheng Underwriting Referral Services, we consider the effective implementation of the Referral IC Measures would help to ensure fair pricing of the China Minsheng Underwriting Referral Services.

In light of the above, we are of the view that the terms of the China Minsheng Underwriting Referral Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

(b) Listco AM Services

Pursuant to the Service Agreement, the Group agreed to provide asset management services, investment advisory service and ancillary services to the AM Clients.

LETTER FROM GRAM CAPITAL

Pursuant to the Service Agreement, China Minsheng 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 between the Group and the AM Clients or the individual service agreement between the Group and China Minsheng Group 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).

Pricing Basis:

The Group will charge the AM Clients management fees, advisory fees and performance fees for the AM Related Products, and China Minsheng Group will charge the Group distribution fees for distributing the Funds. The fees to be charged by the Group or China Minsheng 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/by Independent Third Parties.

Details of the payment and pricing terms of the Listco AM Services will be specified in the individual client agreement or the individual service contract and will be negotiated on an arm’s length basis between the Group and the relevant AM Clients and on terms no less favourable to the Group than those offered to/by Independent Third Parties.

Settlement Terms:

Unless otherwise specified in the individual client agreement or the individual service contract, the distribution fees shall be settled by the Group at the time of the distribution of the Funds and at subsequent anniversaries. The management fees and advisory 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.

LETTER FROM GRAM CAPITAL

As further mentioned in the Board Letter, the Company will adopt certain internal control measures (the “**AM IC Measures**”) 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. Details of the AM IC Measures are set out in the sub-section headed “Internal Control” under the section headed “(b) Listco AM Services” of the Board Letter.

Pursuant to the AM IC Measures,

- (1) the distribution fees to be charged by China Minsheng Group shall be approximately 0.25% to 2% of the amount of the Funds that are distributed by China Minsheng Group (the “**Distribution Fees Mechanism**”);
- (2) the management fee rate (the “**Management Fees Mechanism**”) and the advisory fee rate (the “**Advisory Fees Mechanism**”) to be charged by the Group shall be in accordance with the Group’s and China Minsheng Group’s pricing policies, which are determined with reference to the market range of 0.5% to 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;
- (3) the performance fees rate to be charged by the Group shall be in accordance with the Group’s and China Minsheng Group’s pricing policies, which are determined with reference to approximately 20% 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 (the “**Performance Fees Mechanism**”) (the Distribution Fees Mechanism, the Management Fees Mechanism, Advisory Fees Mechanism and the Performance Fees Mechanism, collectively, the “**AM Fees Mechanism**”) and will be decided by the relevant Responsible Officer in accordance with the Group’s pricing policy applicable to all of its clients; and
- (4) the management fees, advisory 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.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we obtained a contract regarding the provision of asset management services by the Group to Independent Third Party. As confirmed by the Directors, such contract is the only contract in respect of the provision of asset management services to Independent Third Party. According to the contract and as advised by the Directors, (i) the portfolio is a fixed income portfolio; (ii) the management fee would be nil or 0.3% per annum, subject to performance; and (iii) performance fee would be nil to 30% of part of absolute profit, subject to performance.

We also obtained a draft distribution agreement to be entered into between CMBC Asset Management Company Limited ("**CMBC Asset Management**"), a wholly owned subsidiary of the Company, and a connected person. As confirmed by the Directors, such draft distribution agreement would be a template distribution agreement to be entered into between the Group and any other party (including both connected persons and Independent Third Parties), with commercial terms subject to further negotiation by the parties. We noted from such draft distribution agreement that the distributor (i.e. the connected person in this case) will charge CMBC Asset Management distribution fees which include (i) a fee on each subscription for units by investors introduced by the distributor and accepted by CMBC Asset Management; (ii) switching rebates (calculated based on the value of units being redeemed for switching); and (iii) a trail fee to be paid annually, being portion of annual management fee actually received by CMBC Asset Management. As confirmed by the Directors, distribution fees to be charged by the China Minsheng Group shall be within the range of 0.25% to 2% per annum.

Having considered the AM Fees Mechanism and that (i) a Responsible Officer for type 9 regulated activity will, based on the pricing guidelines as described in the Management Fees Mechanism, Advisory Fees Mechanism and the Performance Fees Mechanism, determine the management fees, advisory fees and performance fees to be charged for each of the Listco AM Services; (ii) 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 (iii) the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Listco AM Services, we consider the effective implementation of the AM IC Measures would help to ensure fair pricing of the Listco AM Services.

In light of the above, we are of the view that the terms of the Listco AM Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM GRAM CAPITAL

(c) Underwriting Services

Pursuant to the Service Agreement, the Group also agreed to provide Underwriting Services to China Minsheng Group for securities (including but not limited to securities issued by China Minsheng Group) 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 China Minsheng Group and on terms no less favourable to the Group than those offered to Independent Third Parties.

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 China Minsheng Group.

With reference to the Board Letter, the Company will adopt certain internal control measures (the “**Underwriting IC Measures**”) 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. Details of the Underwriting IC Measures are set out in the sub-section headed “Internal Control” under the section headed “(c) Underwriting Services” of the Board Letter.

Pursuant to the Underwriting IC Measures, the underwriting fees or commission to be charged by the Group under the Underwriting Services shall be within the range of 0.2% to 1% of the monetary value of the securities underwritten (the “**Underwriting Fees Mechanism**”) 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.

LETTER FROM GRAM CAPITAL

As advised by the Directors, the said underwriting fees or commission of 0.2% to 1% is the commission payable by the issuer to the entire underwriting group (including lead managers/managers of different securities firms) and Underwriting Fees Mechanism is in line with that under similar transactions undertaken by the Group. For our due diligence purpose, we inquired into relevant personnel of the debt capital market department of the Company who is licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO. We understood that (i) the total commission fees paid to the entire underwriting group is not commonly known to all members of the underwriting group; (ii) the coordinator of the issuance usually has knowledge about the commission fees distribution between underwriting group; and (iii) based on the Company's experience (as coordinator) in previous bond issuance projects, the Underwriting Fees Mechanism is in line with the previous practice of underwriting transactions of the Company (for underwriting of bond issuance of China Minsheng Group and Independent Third Parties in 2018 (no bond issuance of China Minsheng Group during the period from 1 January 2019 to the date of Service Agreement)).

Having considered the Underwriting Fees Mechanism and that (i) 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 (ii) the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Underwriting Services, we consider the effective implementation of the Underwriting IC Measures would help to ensure fair pricing of the Underwriting Services.

In light of the above, we are of the view that the terms of the Underwriting Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Proposed Annual Caps

(a) *China Minsheng Underwriting Referral Services*

Set out below are the Proposed Annual Caps for the three years ending 31 December 2021 as extracted from the Board Letter:

	For the year ending 31 December 2019 <i>HK\$ million</i>	For the year ending 31 December 2020 <i>HK\$ million</i>	For the year ending 31 December 2021 <i>HK\$ million</i>
Proposed Annual Caps	12	12	12

LETTER FROM GRAM CAPITAL

In arriving at the Proposed Annual Caps for China Minsheng Underwriting Referral Services, the Directors have considered factors as mentioned in the sub-section headed “1. China Minsheng Underwriting Referral Services” under the section headed “Proposed Annual Caps” of the Board Letter.

As advised by the Directors, as a business strategy of the China Minsheng Group, certain Underwriting Opportunities previously referred by China Minsheng Group to CMBCI Group would be referred to the Group during the three years ending 31 December 2021. To assess the fairness and reasonableness of the Proposed Annual Caps for the China Minsheng Underwriting Referral Services, we obtained a list showing summaries of projects (i.e. name, date, size, etc.) regarding the Group’s or CMBCI’s provision of underwriting or placing services to clients which were introduced/referred by member(s) China Minsheng Group during 2017, 2018 and the first seven months of 2019 with referral fees paid by the Group/CMBCI to member(s) of China Minsheng Group.

We noted from the list that referral fees of approximately US\$617,000 and US\$484,000 were paid by the Group/CMBCI to member(s) of China Minsheng Group for underwriting transactions handled by the Group/CMBCI in 2017 and 2018, respectively. Upon our request, the Directors advised us that the decrease in referral fees from 2017 to 2018 was mainly due to unexpected adverse market condition which results in the actual issue size of one of the underwriting projects substantially reduced as compared to the proposed original issue size applied by an issuer (“**Issuer A**”).

We understood from the Directors that the possible referral fees which may be paid by the Group/CMBCI to member(s) of China Minsheng Group for underwriting transactions handled by the Group/CMBCI for the six months ended 30 June 2019 amounted to approximately US\$651,000^(Note).

As further advised by the Directors, when determining the Proposed Annual Caps for the China Minsheng Underwriting Referral Services for the year ending 31 December 2019, the Directors mainly considered historical referral fees paid by the Group/CMBCI to member(s) of China Minsheng during the first six months ended 30 June 2019. Based on the possible referral fees which may be paid by the Group/CMBCI to member(s) of China Minsheng Group for underwriting transactions handled by the Group/CMBCI for the six months ended 30 June 2019, the annualized possible referral fees would be approximately US\$1.30 million (equivalent to approximately HK\$10.2 million, calculated by US\$651,000 x (12/6) x 7.8).

Note: As advised by the Directors, the Company may not be required to pay referral fees for China Minsheng Underwriting Referral Services due to the China Minsheng Group’s relevant internal policy issued in April 2019. However, for prudence’s sake, the Directors assumed all referral fees will still be required to pay when determining the Proposed Annual Caps for China Minsheng Underwriting Referral Services.

LETTER FROM GRAM CAPITAL

Based on the above assumptions and a buffer of approximately 15% to provide flexibility and cater for any potential fluctuations of the actual size of the projects and market conditions during 2019, the implied amounts of referral fees (including the effect of buffer) for the year ending 31 December 2019 was close to the Proposed Annual Caps for the China Minsheng Underwriting Referral Services for the year ending 31 December 2019. As such, we consider such proposed annual cap for the year ending 31 December 2019 to be fair and reasonable.

Having also considered (i) the background of China Minsheng Group (details of which are set out in the section headed “Information on China Minsheng” above); and (ii) the Proposed Annual Cap for China Minsheng Underwriting Referral Services for the year ending 31 December 2019 (which is the same as those for each of the two years ending 31 December 2021) being justifiable, we do not doubt the demand of the China Minsheng Underwriting Referral Services for each of the two years ending 31 December 2021. Accordingly, we consider the Proposed Annual Cap for the China Minsheng Underwriting Referral Services for each of the three years ending 31 December 2021 to be justifiable.

(b) Listco AM Services

Set out below are the Proposed Annual Caps of Listco AM Services for the three years ending 31 December 2021 as extracted from the Board Letter:

	For the year ending 31 December 2019 HK\$ million	For the year ending 31 December 2020 HK\$ million	For the year ending 31 December 2021 HK\$ million
Proposed Annual Caps			
Listco AM Services	141	141	141
– Distribution fees	5	5	5
– Management fees and advisory fees	94	94	94
– Performance fees	42	42	42

In arriving at the Proposed Annual Caps for Listco AM Services, the Directors have considered factors as mentioned in the sub-section headed “2. Listco AM Services” under the section headed “Proposed Annual Caps” of the Board Letter.

LETTER FROM GRAM CAPITAL

As advised by the Directors, the Proposed Annual Caps for the Listco AM Services are estimated based on the demand for Listco AM Services for the three years ending 31 December 2021. With reference to the Board Letter, the Company planned to launch numerous funds in 2018, however the establishment of such funds was postponed. The Directors estimated that those postponed funds might be launched in 2019.

To assess the fairness and reasonableness of the Proposed Annual Caps for the Listco AM Services, we obtained the calculation of the same. We noted from the calculation the amount of existing funds and expected new funds of the Group and their respective management fees and estimated performance fees (if applicable). We noted that (i) the Proposed Annual Caps of the management fees are based on the funds size of the existing and expected new funds of the Group and the expected asset management fees (which is in line with the Management Fees Mechanism); and (ii) the Proposed Annual Caps of performance fees (not applicable to debt funds) are based on the beginning value of the existing fund of the Group, its expected value as at the end of 2019 and the performance fees structure of the fund (which is in line with the Performance Fees Mechanism). As advised by the Directors, the Proposed Annual Caps of the distribution fees was based on the amount of expected new funds of the Group (and taking into account the historical amount of funds subject to distribution fees charged by China Minsheng Group) and the distribution fees of the expected new funds (which is in line with the Distribution Fees Mechanism).

As advised by the Directors, the Group will provide advisory services, such as investment guidelines, investment analyses, buy/sell recommendations, etc., to China Minsheng Group for the investment of China Minsheng Group's idle cash (partial). As for return, the Group will charge advisory fees, which are subject to size of China Minsheng Group's proposed investment amount. We further enquired into the Directors regarding the value of possible investment and expected fee rate. We noted that the expected fee rate is at the bottom of advisory fee rates range as mentioned in the Board Letter (i.e. 0.5% - 5% per annum).

Having considered that (i) the Proposed Annual Caps were determined with reference to the existing and expected funds size of the Group (Proposed Annual Caps for the performance fees were determined based the beginning value of the existing fund of the Group and its expected value at the end of 2019); and (ii) the estimated distribution fees, management fees and advisory fees and performance fees are in line with the AM Fees Mechanism we consider the Proposed Annual Caps for the Listco AM Services to be justifiable.

LETTER FROM GRAM CAPITAL

(c) *Underwriting Services*

Set out below are the Proposed Annual Caps for the three years ending 31 December 2021 as extracted from the Board Letter:

	For the year ending 31 December 2019 <i>HK\$ million</i>	For the year ending 31 December 2020 <i>HK\$ million</i>	For the year ending 31 December 2021 <i>HK\$ million</i>
Proposed Annual Caps	11	11	11

In arriving at the Proposed Annual Caps for Underwriting Services, the Directors have considered factors as mentioned in the sub-section headed “3. Underwriting Services” under the section headed “Proposed Annual Caps” of the Board Letter.

As advised by the Directors, as a business strategy of the China Minsheng Group, certain underwriting services previously provided by CMBCI Group to China Minsheng Group would be provided by the Group during the three years ending 31 December 2021. To assess the fairness and reasonableness of the Proposed Annual Caps for the Underwriting Services, we obtained a list showing the underwriting services provided by the Group/CMBCI to China Minsheng Group with project names, issuance size of bond and roles of service providers for each of the three years ended 31 December 2018.

With reference to the Board Letter and the list, the principal amounts of China Minsheng Group’s bond issue amounted to approximately US\$1,439 million, US\$700 million and US\$1,000 million respectively for each of the three years ended 31 December 2018. As such, the Directors assumed a similar underwriting commission to be received should China Minsheng Group issue similar amount of bonds for each of the three years ending 31 December 2021.

LETTER FROM GRAM CAPITAL

We also noted from the list that underwriting commission fees received by the Group during 2018 was substantially less than those received by the Group/CMBCI during 2016 and 2017. As advised by the Directors, such differences were mainly due to the difference in the roles of the Group/CMBCI Group (i.e. the Group did not act as global coordinator for underwriting projects in 2018 while the Group/CMBCI acted as global coordinator for underwriting projects in 2016 and 2017). When estimating the underwriting commission fees to be received by the Group during each of the three years ending 31 December 2021, the Directors assumed that the Group would act as global coordinator for the underwriting projects. Accordingly, the Directors estimated the underwriting commission fees under the Underwriting Services for each of the three years ending 31 December 2021 would be similar as the underwriting commission fees received by the Group/CMBCI during 2016 and 2017.

Based on the above assumptions and a buffer of approximately 10% to provide flexibility and cater for any potential fluctuations of the actual size of the projects and market conditions over the term of the Service Agreement, the implied amounts of underwriting commission fees (including the effect of buffer) for each of the three years ending 31 December 2021 were close to the Proposed Annual Caps for the Underwriting Services for each of the three years ending 31 December 2021. As such, we consider such Proposed Annual Cap for each of the three years ending 31 December 2021 to be fair and reasonable.

Shareholders should note that as the Proposed Annual Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2021, and they do not represent forecasts of cost to be incurred from the Services. Consequently, we express no opinion as to how closely the actual transaction amount under the Services will correspond with the Proposed Annual Caps.

LETTER FROM GRAM CAPITAL

Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Services must be restricted by the Proposed Annual Caps; (ii) the terms of the Services (including the Proposed Annual Caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Services must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Services (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the Proposed Annual Caps.

In the event that the total amounts of the Services are anticipated to exceed the Proposed Annual Caps, or that there is any proposed material amendment to the terms of the Services, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Services and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Services are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Services (including the Proposed Annual Caps) and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS**Interests and Short Positions of Directors and chief executive**

As at the Latest Practicable Date, none of the Directors or chief executive of the Company (and their respective associate(s)) had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered into the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates (as defined in the Listing Rules) was interested in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the Group's business.

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any of the Directors was materially interested and was significant in relation to the business of the Group.

5. QUALIFICATION AND CONSENT OF EXPERT

- (a) The following is the qualification of the expert who has given an opinion or advice which is contained in this circular:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO

- (b) As at the Latest Practicable Date, Gram Capital:
- did not have any shareholding directly or indirectly in any member of the Group;
 - did not have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
 - did not have any interest, either directly or indirectly, in any assets which have been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.
- (c) As at the Latest Practicable Date, Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and reference to its name and letter, where applicable, in the form and context in which it appears.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within a year without payment of any compensation (other than statutory compensation)).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest published audited accounts of the Group were made up.

8. MISCELLANEOUS

The English text of this circular and the enclosed form of proxy shall prevail over the Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:00 p.m. at the Company's principal place of business in Hong Kong at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong for a period of 14 days (other than Saturdays, Sundays and public holidays) from the date of this circular:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 25 of this circular;
- (b) the letter from Gram Capital, the text of which is set out on pages 26 to 47 of this circular;
- (c) the written consent of the expert referred to under the section headed "Qualification and Consent of Expert" in this Appendix;
- (d) the Service Agreement; and
- (e) this circular.

NOTICE OF SPECIAL GENERAL MEETING



NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**SGM**”) of CMBC Capital Holdings Limited (the “**Company**”) will be held at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong, on Monday, 23 September 2019 at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution of the Company:

ORDINARY RESOLUTION

“THAT

1. (i) the service agreement (the “**Service Agreement**”) dated 23 July 2019 entered into between the Company and China Minsheng Banking Corp., Ltd. in relation to the provision and acceptance of certain services (the “**Services**”) by the Company and its subsidiaries (a copy of the Service Agreement which marked “A” has been tabled before the meeting and initialed by the chairman of the meeting for identification purpose), and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (ii) the proposed annual caps for each of the three years ending 31 December 2021, respectively, for the Services to be provided under the Service Agreement, be and are hereby approved, confirmed and ratified;
- (iii) any one director of the Company (the “**Director**”) be and is hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the terms of the Service Agreement; and
- (iv) any one Director be and is hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Service Agreement and to agree to any amendment to any of the terms of the Service Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company.”

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

Hong Kong, 30 August 2019

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at the SGM. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member of the Company who is an individual or a member of the Company which is a corporation is entitled to exercise the same powers on behalf of the member of the Company which he/she or they represent as such member of the Company could exercise.
2. The form of proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of a form of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such form of proxy on behalf of the corporation without further evidence of the fact.
3. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Wednesday, 18 September 2019 to Monday, 23 September 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 September 2019.
4. The form of proxy and (if required by the Board of Directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time fixed for holding the SGM or adjourned meeting thereof at which the person named in the form of proxy proposes to vote, and in default the form of proxy shall not be treated as valid.
5. Delivery of a form of proxy shall not preclude a member of the Company from attending and voting in person at the SGM convened and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint holders of any share, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date hereof, the executive Directors 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.