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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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.

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

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

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



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A notice convening the SGM to be held at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Wednesday, 12 January 2022 at 9:30 a.m. is set out on pages 80 to 82 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.

22 December 2021

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## PRECAUTIONARY MEASURES FOR THE SGM

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*In view of the ongoing novel coronavirus (COVID-19) pandemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:*

- (i) compulsory body temperature checks will be conducted on every Shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue;
- (ii) the Company strongly recommends attendees to wear surgical face masks inside the SGM venue at all times, and to maintain a safe distance between seats; and
- (iii) no refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

In the interest of all stakeholders' health and safety and to be consistent with the recent COVID-19 guidelines for prevention and control of the spread of the novel coronavirus (COVID-19) pandemic at the SGM, the Company reminds all Shareholders that physical attendance in person at the SGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, the Shareholders may appoint the chairman of the SGM as their proxy to vote on the relevant resolution at the SGM instead of attending the SGM in person.

The proxy form is attached to this circular for Shareholders who opt to receive physical circulars. Alternatively, the proxy form can be downloaded from the "Investor Relations" section of the Company's website at <http://www.cmbccap.com/en/investor/notice>. If you are not a registered Shareholder (if your Shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

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## DEFINITIONS

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

“2019 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) on 23 July 2019 details of which was disclosed in the announcements of the Company dated 23 July 2019 and 27 July 2020 and the circulars of the Company dated 30 August 2019 and 3 August 2020
“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
“associate(s)”	has the same meaning ascribed to it under the Listing Rules
“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), and the ultimate controlling shareholder of the Company
“China Minsheng Group”	China Minsheng and its subsidiaries, excluding the members of the Group
“China Minsheng Subscription Referral Services”	the referral services to be provided by the Group for subscription of securities by China Minsheng Group pursuant to the Service Agreement
“China Minsheng Underwriting Referral Services”	the referral services to be provided by China Minsheng Group to the Group for underwriting of securities pursuant to the Service Agreement

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## DEFINITIONS

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“CMBC HK Branch”	the Hong Kong branch of China Minsheng
“Company”	CMBC Capital Holdings Limited, a company incorporated in Bermuda with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1141)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.4 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Custodian Services”	custodian and administration services provided or proposed to be provided by China Minsheng Group to the Group pursuant to the Service Agreement
“Deposit Services”	cash deposit services including current deposit, time deposit, call deposit or agreement deposit services provided or proposed to be provided by China Minsheng Group to the Group pursuant to the Deposit Service Agreement or the Service Agreement (as applicable)
“Deposit Service Agreement”	the agreement entered into between the Company and CMBC HK Branch on 31 December 2019 in relation to the provision of the Deposit Services by CMBC HK Branch, which shall be amended and replaced by the Service Agreement to the extent of any discrepancy
“Directors”	the directors of the Company
“Existing Share(s)”	ordinary share(s) of the Company with a nominal value of HK\$0.01 each prior to the Share Consolidation

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## DEFINITIONS

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“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
“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”	17 December 2021, 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/or 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

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## DEFINITIONS

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“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
“Referral Services”	collectively, China Minsheng Subscription Referral Services and China Minsheng Underwriting Referral 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
“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) in relation to the Services on 16 December 2021
“Services”	collectively, the Listco AM Services, the Referral Services, the Underwriting Services, the Custodian Services and the Deposit 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

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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be held at 9:30 a.m. on Wednesday, 12 January 2022 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)”	the Existing Share(s) of the Consolidated Share(s), as the context may require
“Share Consolidation”	the proposed consolidation of every forty (40) issued and unissued Existing Shares in the share capital of the Company into one (1) Consolidated Share in the share capital of the Company, as disclosed in the Share Consolidation Circular
“Share Consolidation Circular”	the Company’s circular dated 9 December 2021 in relation to the Share Consolidation
“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



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## LETTER FROM THE BOARD

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### 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

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Non-executive Directors:*

Mr. Yang Kunpeng

Mr. Li Wenshi

*Principal Place of Business:*

45/F, One Exchange Square

8 Connaught Place

Central

Hong Kong

*Independent non-executive Directors:*

Mr. Lee, Cheuk Yin Dannis

Mr. Wu Bin

Mr. Wang Lihua

22 December 2021

*To the Shareholders*

Dear Sir or Madam,

**(I) CONTINUING CONNECTED TRANSACTIONS  
UNDER THE SERVICE AGREEMENT  
AND  
(II) 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).

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## LETTER FROM THE BOARD

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### II. CONTINUING CONNECTED TRANSACTIONS UNDER THE SERVICE AGREEMENT

#### 1. Introduction

Reference is made to the announcement of the Company dated 16 December 2021 in respect of the continuing connected transactions contemplated under the Service Agreement.

On 16 December 2021, 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), pursuant to which, among other things:

- (a) China Minsheng Group agreed to provide China Minsheng Underwriting Referral Services to the Group and the Group agreed to provide China Minsheng Subscription Referral Services to China Minsheng Group;
- (b) the Group agreed to provide 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;
- (c) the Group agreed to provide the Underwriting Services to China Minsheng Group;
- (d) China Minsheng Group agreed to provide the Custodian Services to the Group; and
- (e) China Minsheng Group agreed to provide the Deposit Services to the Group.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable, and whether the entering into of the Service Agreement and the Services are (i) on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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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 whether the entering into of the Service Agreement and the Services are (i) on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) 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.

### **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)

#### *Date*

16 December 2021

#### *Duration*

The Service Agreement shall take effect from 1 January 2022 (subject to the approval of the Service Agreement by the Independent Shareholders at the SGM) to 31 December 2024 (both days inclusive), and is automatically renewable for successive periods of three years thereafter, subject to the compliance with the then applicable requirements of the Listing Rules.

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.

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## LETTER FROM THE BOARD

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### *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 (except for the Deposit Service Agreement which shall be amended and replaced by the Service Agreement to the extent of any discrepancy).

#### (a) 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.

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

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## LETTER FROM THE BOARD

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Subscription opportunities include opportunities for subscription and purchasing securities (equity and debt) offered by any Independent Third Party clients which generally involves type 1 regulated activity in Hong Kong as defined under the SFO (the “**Subscription Opportunities**”). The Group has the sole discretion on introducing, referring and communicating the Subscription Opportunities to China Minsheng Group.

### Pricing Basis

With respect to the China Minsheng Underwriting Referral Services, China Minsheng Group will charge the Group a referral fee which shall be no more than 50% of the underwriting fees that the Group receives from the Independent Third Party clients.

Details of the payment and pricing terms of the China Minsheng Underwriting Referral Services will be specified in the individual agreement and will be negotiated on an arm’s length basis between the Group and China Minsheng Group or Independent Third Party client and on terms no less favourable to the Group than those offered to and from Independent Third Parties referral agents.

Prior to entering into any agreement, the Group will convene a meeting between, inter alia, a member of the senior management, the business team, the legal department and the compliance department, to discuss the terms of the engagement and to decide whether to accept the deal engagement. In determining the underwriting fee and the relevant referral fee, the Group shall take into account the prevailing market rates, the size of the issuance of the securities, its complexities, the market condition, the market responses, competition from other underwriters, and the number of Underwriting Opportunities that have been successfully or will be introduced by China Minsheng Group.

In relation to the China Minsheng Subscription Referral Services, upon successful subscription of the securities by China Minsheng Group under the procurement by the Group, the Group will receive a commission, which is equivalent to a certain percentage of the subscription amount, from the Independent Third Party issuer clients.

The underwriting market is highly competitive and the underwriting fees and commissions are transparent and standardized across the market which enable the Group to adopt a market-based pricing approach.

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## LETTER FROM THE BOARD

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### Settlement Terms

The underwriting fee or commission is settled by the Independent Third Party clients upon completion of the underwriting.

Unless otherwise specified in the individual agreement, the relevant referral fee for China Minsheng Underwriting Referral Services shall be settled by the Group in full upon the receipt of the underwriting fees or commission from the Independent Third Party clients, and in relation to the China Minsheng Subscription Referral Services, the Group will receive a commission or referral fee from the Independent Third Party clients upon the successful subscription of the securities by China Minsheng Group.

The Group considers the above settlement terms are in line with the usual commercial terms whereby the referral fees are only settled 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 to accept or to provide the Referral Services (as the case may be):

1. whether the Group has the necessary network and resources required to engage in the relevant Referral Services 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 relevant Referral Services could justify the resources estimated to be required for providing or receiving the relevant Referral Services (e.g. the referral fee to be charged by the relevant member of China Minsheng Group or the commission to be received by the Group, the expected cost of labour and time to be incurred by the staff of the Group).

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## LETTER FROM THE BOARD

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A 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 relevant Referral Services and decide whether or not to engage in such services.

To ensure that the terms for the 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. with respect to the China Minsheng Underwriting Referral Services:
  - a. 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;
  - b. 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;

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## LETTER FROM THE BOARD

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2. with respect to the China Minsheng Subscription Referral Services, the Responsible Officer will ensure that fees chargeable by the Group are comparable to those transacted with Independent Third Parties;
3. before confirming the referral fees the senior management will review and assess whether the proposed referral fee charged for the relevant Referral Services is fair and reasonable in accordance with the aforesaid pricing policy;
4. the legal department and the accounts department of the Company will monitor the accumulated referral fee on a monthly basis to ensure that the accumulated referral fees will not exceed the Proposed Annual Caps for the Referral Services; and
5. the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Referral Services, which will include the decision making on the acceptance of the Underwriting Opportunities solely undertaken by the Group and the referral of Subscription Opportunities to an Independent Third Party 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 or distributing the Subscription Opportunities.

The independent non-executive Directors are of the view that the foregoing internal control measures are in line with the prevailing market practice.

(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**").



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## LETTER FROM THE BOARD

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The scope of the Listco AM Services will be agreed and specified in the individual client agreement between the Group and the AM Clients and may include, inter alia, overseeing the operations of the investment portfolios, provision of investment policies and strategies and investment advisory services, 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 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.

### Settlement Terms

Unless otherwise specified in the individual service contract, the distribution fees shall be settled by the Group at the time of the distribution of the Funds 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 the performance of the Funds that are subject to the performance fees meet the agreed performance benchmarks.

The Group considers the above settlement terms are the usual commercial terms as the Group offers the same settlement terms to its Independent Third Party clients.

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## LETTER FROM THE BOARD

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### 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 0.05% 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 0.1% 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 (which is determined with reference to various factors including but not limited to the market condition, the past performance and the qualification of the fund managers, the objectives of the funds, the level of risk acceptable to the AM Clients etc.) 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;

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 which includes, inter alia, valuation with reference to the market price for listed securities, or valuation with reference to brokers' quotation or valuation by Independent Third Party valuers for non-listed securities. The valuation will be reviewed by the auditors/administrators;

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## LETTER FROM THE BOARD

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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;
5. the legal department and the accounts department of the Company will monitor the accumulated fees charged for the Listco AM Services on a monthly basis to ensure that it will not exceed the Proposed Annual Caps for the Listco AM Services; and
6. the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Listco AM Services and ensure that the Listco AM Services are in compliance with the Listing Rules.

### (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

With respect to the Underwriting Services, the Group will charge China Minsheng an underwriting fee.

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.

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## LETTER FROM THE BOARD

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In deciding the underwriting fee, the Group shall take into account the prevailing market rates, the size of the securities to be issued, its complexities, the market condition, the market responses, competition from other underwriters, the number of underwriting projects provided or to be provided by China Minsheng Group and the fees chargeable by the Group to other Independent Third Party issuers of similar size as China Minsheng Group for similar services.

Since the underwriting market is highly competitive and the underwriting fees and commissions are transparent and standardized across the market, the Group can adopt a market-based pricing approach.

### Settlement Terms

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

The Group considers the above settlement terms are the usual commercial terms as the Group offers the same settlement terms to its Independent Third Party clients.

### Internal Control

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

1. the underwriting fee or commission to be charged by the Group under the Underwriting Services shall be within the range of 0.1% to 1% of the monetary value of the securities underwritten taking into account factors including but not limited to (i) the 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) the size and nature of the relevant transaction; (iii) the 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) the anticipated market response to the securities to be underwritten;

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## LETTER FROM THE BOARD

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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;
3. the legal department and the accounts department of the Company will monitor the accumulated fees charged for the Underwriting Services on a monthly basis to ensure that it will not exceed the Proposed Annual Caps for the Underwriting Services; and
4. the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Underwriting Services and ensure that the Underwriting Services are in compliance with the Listing Rules.

(d) Custodian Services

Pursuant to the Service Agreement, China Minsheng Group agreed to provide Custodian Services to the Group as contemplated under the Service Agreement.

Pricing basis

With respect to the Custodian Services, China Minsheng Group will charge the Group a service fee. The Group will make reference to the service fee offered by two banking institutions/trustee companies (including CMB Wing Lung Bank Limited, Bank of Communications Trustee Limited or other financial institutions with similar size) in Hong Kong for the same services and assess the fees to be charged by China Minsheng Group annually.

Details of the payment and pricing terms of the Custodian Services will be specified in the individual 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.

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## LETTER FROM THE BOARD

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Since the custodian service market is highly competitive and the service fees are transparent and standardized across the market, the Group can adopt a market-based pricing approach.

### Settlement Terms

Unless otherwise specified in the individual agreement, the Group shall pay services fees to China Minsheng Group for such services annually or as agreed in writing between the Group and China Minsheng Group.

The Group considers the above settlement terms are the usual commercial terms as other banking institutions/trustee companies offer the same settlement terms to the Group.

### Internal Control

To ensure that the terms for the Custodian 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 service fee to be charged by China Minsheng Group under the Custodian Services shall be determined with reference to the factors including but not limited to (i) the prevailing market rates of similar services charged by companies with similar size of operations and reputation of China Minsheng Group at the relevant time; and (ii) the size and nature of the relevant transaction;
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 by Independent Third Parties for comparison and as a reference to assess whether the fee charged for the Custodian Services is fair and reasonable in accordance with the aforesaid pricing policy;

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## LETTER FROM THE BOARD

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3. the legal department and the accounts department of the Company will monitor the accumulated fees charged for the Custodian Services on a monthly basis to ensure that it will not exceed the Proposed Annual Caps for the Custodian Services; and
4. the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Custodian Services and ensure that the Custodian Services are in compliance with the Listing Rules.

(e) Deposit Services

Pursuant to the Service Agreement, China Minsheng Group agreed to provide Deposit Services to the Group as contemplated under the Service Agreement.

Pricing basis

The interest rate to be paid by China Minsheng Group for the Group's deposits with China Minsheng Group pursuant to the Services Agreement shall be determined based on the prevailing deposit interest rate promulgated by China Minsheng Group for the same period and should not be lower than the deposit interest rates offered by other major commercial banks in Hong Kong or the PRC, including CMB Wing Lung Bank Limited, Industrial and Commercial Bank of China (Asia) Limited or other banks of similar size for the same deposit periods.

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## LETTER FROM THE BOARD

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### Internal Control

To ensure that the terms for the Deposit 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 Group shall place or maintain any deposits under the Services Agreement on a non-exclusive basis. The Group will, on a regular basis, obtain quotations (setting out, among others, the applicable interest rates) from at least two other major commercial banks in the relevant jurisdiction who are Independent Third Parties of the Group to confirm the rate(s) offered by China Minsheng Group are no less favourable to the Group, and conduct assessment taking into account several factors, including without limitation external customers' needs, efficiency of financial resources arrangement, daily operation needs and the expected cash flow before making its decision as to the bank with which the deposits are to be placed. In the event that the Group is aware the rates(s) offered by China Minsheng Group become less favourable to the Group, the Group shall arrange to transfer deposits from China Minsheng Group to other financial institutions who are Independent Third Parties of the Group within a reasonable period of time;
2. the Group will monitor the maximum balance of the deposits placed and maintained with China Minsheng Group under the Services Agreement on a daily basis to ensure that such balance does not exceed the relevant Proposed Annual Caps; where the balance is close to the relevant Proposed Annual Caps, the Group will arrange for some of the deposit placed with China Minsheng Group to be transferred to its bank accounts maintained with other financial institutions who are Independent Third Parties of the Group;
3. the legal department and the accounts department of the Company will monitor the daily balance on a monthly basis to ensure that it will not exceed the relevant Proposed Annual Caps for the Deposit Services; and
4. the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Deposit Services and ensure that the Deposit Services are in compliance with the Listing Rules.



## LETTER FROM THE BOARD

### *Historical Annual Caps and Transaction Amounts*

Set out below are the historical annual caps and transaction amounts in respect of the transactions under the 2019 Service Agreement the Deposit Service Agreement for the two years ended 31 December 2019 and 2020 and the six months ended 30 June 2021:

	For the year ending 31 December					
	2019		2020		2021	
	Historical annual caps	Historical transaction amounts (HK\$ million)	Historical annual caps	Historical transaction amounts (HK\$ million)	Historical annual caps	Historical transaction amounts (For the nine months ended 30 September 2021) (HK\$ million)
<b>China Minsheng Underwriting Referral Services*</b>	12	-	12	-	12	-
<b>Listco AM Services</b>						
- Distribution fees*	5	-	54	4.6	62	0.12
- Management fees and advisory fees	94	77	108	96.4	124	81.67
- Performance fees	42	-	42	40.4	62	15.5
<b>Underwriting Services</b>	11	-	11	-	11	1.7
<b>Deposit Services*</b>						
(Maximum Daily Deposit Balance)	1,900	129.5	300	257.0	300	190.9

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

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## LETTER FROM THE BOARD

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For the year ending 31 December 2021, as the historical transaction amount shows, certain Services under the 2019 Services Agreement has a low utilization rate of the annual caps. For China Minsheng Underwriting Referral Services, China Minsheng, in support of the business development of the Group, has waived the referral fees for the Group. The Group is therefore not required to pay any referral fees to China Minsheng. With respect to the distribution fees and the performance fees under the Listco AM Services and the underwriting fees under the Underwriting Services, the low utilization rate of the annual caps is mainly due to the change in the market conditions, investment strategies and opportunities in the market. Specifically, the performance of both the equity market and the fixed income market in Hong Kong have remained weak in 2021 which have adversely affected the performance of the Funds. Accordingly, the performance fees that the Group can receive for the year ending 31 December 2021 has decreased dramatically. In addition, in light of the COVID-19 pandemic, the inflation risks, the fluctuations of Chinese USD bonds, the potential changes in central banks' monetary policies, investors have become more cautious in 2021. As a result, the demand of the Funds has declined which has in turn affected the distribution of the Funds. In relation to the Underwriting Services, China Minsheng did not issue any bonds in 2021. Therefore, the Group has very limited opportunities to provide its Underwriting Services to China Minsheng Group in 2021. It is understood that the issue of the bonds by China Minsheng Group is usually dependent on various factors, including but not limited to the market conditions, its corporate needs and the investors' interests. Notwithstanding of the low utilization rate of the annual caps for these Services, the Company considers that for the three years ending 31 December 2024, it is necessary to set the annual caps to be the Proposed Annual Caps in light of the proposed expansion of business activities, the possible improvement of the economy and the market condition in both the PRC and Hong Kong and the possible increase in demand for these Services.

As at the Latest Practicable Date, the annual caps for the two years ended 31 December 2020 and the year ending 31 December 2021 have not been exceeded.

## LETTER FROM THE BOARD

### *Proposed Annual Caps*

The Proposed Annual Caps for the next three years ending 31 December 2024 are set out below:

	For the year ending 31 December		
	2022	2023	2024
	(HK\$ million)	(HK\$ million)	(HK\$ million)
<b>Referral Services</b>			
– China Minsheng Underwriting Referral Services*	12	12	12
– China Minsheng Subscription Referral Services	12	12	12
<b>Listco AM Services</b>			
– Distribution fees*	62	68.2	75.02
– Management fees and advisory fees	148.8	178.56	214.27
– Performance fees	74.4	89.28	107.14
<b>Underwriting Services</b>	11	11	11
<b>Custodian Services*</b>	9.42	11.30	13.56
<b>Deposit Services*</b>			
(Daily Deposit Balance)	1,000	1,000	1,000

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

### *Basis of the Proposed Annual Caps*

#### 1. Referral Services

The Proposed Annual Caps for Referral Services for the next three years ending 31 December 2024 are determined with reference to the historical transaction amount and the expected growth of the business, the details of which are set out below.

##### (i) China Minsheng Underwriting Referral Services

The Proposed Annual Caps for China Minsheng Underwriting Referral Services are primarily determined based on the historical amounts of the referral fees that the Group ought to have paid to China Minsheng Group. During the year ended 31 December 2020, the underwriting fees that were generated from the Underwriting Opportunities introduced by China Minsheng Group amounted to approximately US\$4.12 million. According to the 2019 Service Agreement, the Group were required to pay China Minsheng Group

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## LETTER FROM THE BOARD

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approximately US\$2.06 million (which is equivalent to approximately HK\$16.05 million). During the year ending 31 December 2021, as of the Latest Practicable Date, the underwriting fees that have been generated from the Underwriting Opportunities introduced by China Minsheng Group amounted to approximately US\$3.38 million. According to the 2019 Service Agreement, the Group were required to pay China Minsheng Group approximately US\$1.69 million (which is equivalent to approximately HK\$13.17 million) for the year ending 31 December 2021. Due to the change of its internal policy in 2019, China Minsheng has waived the referral fees for the Group. However, it is uncertain whether there will be any change to such policy in the future. In case that there is such a change, the Company may be required to pay the referral fees. To avoid any disruption to the operations of the Group, the Group has proposed to include the China Minsheng Underwriting Referral Services in the Service Agreement and to seek the Shareholders' prior approval.

Since China Minsheng Group has a track record and reputation for underwriting services, the Group can continue to leverage the vast network and the enormous customer base of China Minsheng Bank to develop its underwriting business.

In light of the above, it is anticipated that the revenue generated from the Underwriting Opportunities introduced by China Minsheng Group for each of the three years ending 31 December 2024 would remain steady. Based on the historical referral fees of approximately HK\$16.05 million and approximately HK\$13.17 million as disclosed above which should have paid by the Group to China Minsheng Group for the year ended 31 December 2020 and the year ending 31 December 2021 (up to the Latest Practicable Date), respectively, it is estimated that for each of the three years ending 31 December 2024, the estimated referral fees for China Minsheng Underwriting Referral Services will be approximately HK\$12 million, HK\$12 million and HK\$12 million.

(ii) China Minsheng Subscription Referral Services

The Proposed Annual Caps for China Minsheng Subscription Referral Services are determined based on the historical amount of the commission that the Group received for procuring China Minsheng Group to subscribe the notes issued by its Independent Third Party client and the expected business growth.

During the year ended 31 December 2020, the Group completed over 100 underwriting projects for its Independent Third Party clients. Although during the same period, there was only one such transaction and the commission amounted to approximately HK\$5.85 million ("**2020 Subscription Opportunities**"), the Group could have offered more Subscription Opportunities to China Minsheng Group.

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## LETTER FROM THE BOARD

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As one of the major investment services platforms of China Minsheng Group, the Group will continue to provide China Minsheng Group with investment-related services including referring Subscription Opportunities to China Minsheng Group. Given the amount of bonds underwritten by the Group for the two years ended 31 December 2020, it is expected that the Group will offer more Subscription Opportunities to China Minsheng Group during the three years ending 31 December 2024. For each of the three years ending 31 December 2024, it is expected that the Group may offer two Subscription Opportunities that are of similar size of the 2020 Subscription Opportunities.

In light of the above, it is estimated that the referral fees for China Minsheng Subscription Referral Services will be approximately HK\$12 million, HK\$12 million and HK\$12 million.

### 2. Listco AM Services

The Proposed Annual Caps for Listco AM Services for the three years ending 31 December 2024 are determined with reference to the historical transaction amount and the expected growth of the business, the details of which are set out below.

#### (i) Management fee

As of 30 June 2021, the assets under management (“**AUM**”) for the Listco AM Services was over US\$1.45 billion (“**Current Funds**”), and for the six months ended 30 June 2021, the Group received the management fees and advisory fees for the funds that are currently managed by the Group for the AM Clients of approximately HK\$53.8 million. With reference to the management fees and the advisory fees for the nine months ended 30 September 2021 (which amounts to approximately HK\$ 81.67 million), it is estimated that for the year ending 31 December 2021, the management fees and advisory fees from the Listco AM Services will be approximately HK\$107.7 million which is approximately 86.8% of the annual cap for the year ending 31 December 2021.

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## LETTER FROM THE BOARD

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The Group will continue to manage most of the Current Funds for the three years ending 31 December 2024. It is expected that there will be growth in the AUM (by appreciation of the assets under management and further subscription of the funds by the AM Clients) for each of the three years ending 31 December 2024. More particularly, it is expected that the Current Funds will have a growth of approximately 10%-20% for each of the three years ending 31 December 2024 and the management fees and advisory fees for the Current Funds for each of the three years ending 31 December 2024 will increase accordingly. Based on the historical growth of the AUM (which amounts to approximately 8.16%, for the ten months ended 30 October 2021) and the management fees and advisory fees (which amounts to approximately 25.19% for the year ended 31 December 2020), it is estimated that for each of the three years ended 31 December 2024, the management fees and advisory fees will have an annual growth of approximately 10%-13% and will increase to approximately HK\$119.11 million, HK\$134.00 million and HK\$151.40 million, respectively.

In addition to the Current Funds, it is expected that the AM Clients will further invest in the new funds that will be set up and managed by the Group. It is estimated that for the three years ending 31 December 2024, the AM Clients will further invest approximately HK\$3,822 million, HK\$5,545.8 million and HK\$7,311.72 million, respectively, in these new funds. The management fee and advisory fee attributable to these new funds for the three years ending 31 December 2024 are estimated to be HK\$23.87 million, HK\$34.71 million, HK\$48.36 million, respectively.

The total management fee and advisory fee for the three years ending 31 December 2024 are therefore estimated to be HK\$142.97 million, HK\$168.71 million, HK\$196.87 million, respectively.

Taking into account a moderate buffer and the factors mentioned in paragraph headed “6. Other factors” below, the Company proposes to set the Proposed Annual Caps for the management fee and advisory fee for the three years ending 31 December 2024 to be HK\$148.8 million, HK\$178.56 million and 214.27 million, respectively.

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## LETTER FROM THE BOARD

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(ii) Performance fee

Under the Service Agreement entered into between the Group and the AM Clients, the Group may charge the AM Clients performance fees for certain funds where the net asset value of these funds rises above a hurdle rate during the performance period.

As of 30 June 2021, the aggregated value of the funds managed by the Group that were subject to the performance fee was approximately HK\$5.87 billion. For the six months ended 30 June 2021, the Group had charged China Minsheng Group approximately HK\$15.5 million for the performance fee. It is estimated that for the year ending 31 December 2021, the Group will charge China Minsheng Group approximately HK\$52.8 million for the performance fee representing approximately 85.2% of the annual cap for the year ending 31 December 2021.

As mentioned above, it is expected that most of the Current Funds will continue to be managed by the Group for the three years ending 31 December 2024, and that there will be growth in the AUM (by appreciation of the assets and further subscription of the funds by the AM Clients) for each of the three years ending 31 December 2024. Based on the historical growth of the AUM (which amounts to approximately 8.16%, for the ten months ended 30 October 2021), it is estimated that for each of the three years ended 31 December 2024, the performance fee derived from these existing funds will have annual growth of approximately 4%-13% and will increase to approximately HK\$62.17 million, HK\$64.66 million and HK\$71.14 million, respectively.

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## LETTER FROM THE BOARD

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In addition to the existing funds, it is expected that the AM Clients will further invest in the new funds that will be set up and managed by the Group. It is estimated that the performance fee attributable to these new funds for the three years ending 31 December 2024 are estimated to be HK\$7.49 million, HK\$18.33 million, HK\$29.95 million, respectively.

The total performance fee for the three years ending 31 December 2024 are therefore estimated to be HK\$69.65 million, HK\$83.07 million, HK\$101.17 million, respectively.

Taking into account a moderate buffer and the factors mentioned in paragraph headed “6. Other factors”, the Company proposes to set the Proposed Annual Caps for the performance fee for the three years ending 31 December 2024 to be HK\$74.4 million, HK\$89.28 million and HK\$107.14 million, respectively.

(iii) Distribution fee

Under the Service Agreement, China Minsheng Group will charge the Group distribution fees for distributing the Funds.

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. In accordance with market practice, the distribution fees comprise:

(a) Subscription fee

The Group shall pay China Minsheng Group a fee on each subscription of the Funds by the investors introduced by China Minsheng Group and accepted by the Group.

(b) Switching rebate

The Group shall pay China Minsheng Group a fee on each redemption for switching of the Funds by the investors introduced by China Minsheng Group.

(c) Trail fee

The Group shall pay China Minsheng Group a trail fee corresponding to an amount that is not more than 50% of the annual management fees, advisory fees and/or performance fees actually received by the Group in respect of the Funds subscribed by the investors that are introduced by China Minsheng Group.



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## LETTER FROM THE BOARD

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As of 30 June 2021, the aggregated value of the funds that were subject to the distribution fee was approximately HK\$1.24 billion. For the six months ended 30 June 2021, China Minsheng Group had charged the Group approximately HK\$0.07 million for the distribution fee. It is estimated that for the year ending 31 December 2021, China Minsheng Group will charge the Group approximately HK\$50.9 million for the distribution fee representing approximately 82.1% of the current annual cap.

As mentioned above, it is expected that most of the Current Funds will continue to be managed by the Group for the three years ending 31 December 2024, and that there will be growth in the AUM (by appreciation of the assets and further subscription of the funds by the AM Clients) for each of the three years ending 31 December 2024. Based on the historical growth of the AUM (which amounts to approximately 8.16%, for the ten months ended 30 October 2021), it is estimated that for each of the three years ended 31 December 2024, the distribution fee derived from these existing funds will have annual growth of approximately 4%-13% and will increase to approximately HK\$53.74 million, HK\$58.5 million and HK\$64.66 million, respectively.

In addition to the existing funds, it is expected that the AM Clients will further invest in the new funds that will be set up and managed by the Group. It is estimated that the distribution fee attributable to these new funds for the three years ending 31 December 2024 are estimated to be HK\$2.11 million, HK\$3.43 million, HK\$3.28 million, respectively.

The total distribution fee for the three years ending 31 December 2024 are therefore estimated to be HK\$55.85 million, HK\$61.93 million, HK\$67.94 million, respectively.

Taking into account a moderate buffer and the factors mentioned in paragraph headed “6. Other factors”, the Company proposes to set the Proposed Annual Caps for the distribution fee for the three years ending 31 December 2024 to be HK\$62 million, HK\$68.2 million and HK\$75.02 million, respectively.

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## LETTER FROM THE BOARD

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### 3. Underwriting Services

The Proposed Annual Caps for Underwriting Services for the three years ending 31 December 2024 were determined with reference to the historical transaction amount and the expected growth of the business, the details of which are set out below.

For the year ending 31 December 2021, as of the Latest Practicable Date, the Group participated in the underwriting of bonds of a principal amount of approximately HK\$2,340 million issued by a member of China Minsheng Group whereby the Group was engaged to underwrite the bonds in the principal amount of approximately HK\$304.2 million for a commission of approximately HK\$1.76 million.

It is expected that the respective principal amount of bonds to be issued by China Minsheng for the three years ending 31 December 2024 of are approximately HK\$6,084 million, HK\$8.58 billion and HK\$8.58 billion, respectively, and that the Group will participate in the underwriting of these bonds.

With respect to the bonds issued by other members of China Minsheng Group, it is expected that the respective principal amount of bonds to be issued by other members of China Minsheng Group for the three years ending 31 December 2024 are approximately HK\$2,340 million, HK\$2,340 million and HK\$2,340 million, respectively, and that the Group will participate in the underwriting of these bonds.

It is expected the Group will be engaged to underwrite the bonds in the aggregated principal amount of approximately HK\$8.58 billion, HK\$10.92 billion, and HK\$10.92 billion for each of the three years ending 31 December 2024, and the underwriting fee is estimated to be approximately HK\$10 million for each of the years ending 31 December 2024.

Taking into account of a moderate buffer and the factors mentioned in paragraph headed “6. Other factors”, the Company proposes to set the Proposed Annual Caps for the underwriting fee for the three years ending 31 December 2024 to be HK\$11 million, HK\$11 million and HK\$11 million, respectively.

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## LETTER FROM THE BOARD

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### 4. Custodian Services

The Proposed Annual Caps for Custodian Services for the three years ending 31 December 2024 are determined with reference to the following factors.

Under the Service Agreement entered into between the Group and China Minsheng Group, China Minsheng Group agreed to provide Custodian Services to the Group and the Group shall pay services fees to China Minsheng Group for such services.

According to the interim report of the Group for the six months ended 30 June 2021, the Group has approximately HK\$208.62 million listed equities and approximately HK\$9,165.39 million listed bonds. Save as disclosed below, the Group has deposited these assets with the Independent Third Party custodians.

As of the Latest Practicable Date, the principal amount of securities that the Group has deposited with China Minsheng Group is approximately HK\$50 million.

It is expected that the Group will gradually increase the principal amount of securities to be deposited with China Minsheng Group. More particularly, for the each of the three years ending 31 December 2024, the Group will deposit its securities of approximately HK\$7.8 billion, HK\$9.36 billion and HK\$11.23 billion, respectively with China Minsheng Group.

It is expected that the custodian fee rate is to be no more 0.11% and for the each of the three years ending 31 December 2024, China Minsheng Group may charge the Group approximately HK\$8.58 million, HK\$10.30 million and HK\$12.36 million, respectively.

Taking into account of a moderate buffer and the factors mentioned in paragraph headed “6. Other factors”, the Company proposes to set the Proposed Annual Caps for the service fee for the three years ending 31 December 2024 to be HK\$9.42 million, HK\$11.30 million and HK\$13.56 million, respectively.

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## LETTER FROM THE BOARD

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### 5. Deposit Services

The Proposed Annual Caps for Deposit Services for the three years ending 31 December 2024 were determined with reference to the historical transaction amount and the expected growth of the business, the details of which are set out below.

Under the Service Agreement entered into between the Group and China Minsheng Group, China Minsheng Group agreed to provide Deposit Services.

The maximum amount of deposit that the Group had deposited with China Minsheng Group for the two years ended 31 December 2020 amounted to approximately HK\$257 million. For the six months ended 30 June 2021, the maximum amount of deposit that the Group had deposited with China Minsheng Group amounted to approximately HK\$190 million. On this basis, for each of the three years ending 31 December 2024, it is estimated that the Group may deposit HK\$300 million into its bank account with China Minsheng.

The Group launched an online securities trading system (the “**System**”) in July 2020. Since the launch of the System, the number of clients has increased substantially and is expected to continue to increase. More particularly, as of the Latest Practicable Date, the number of clients has increased by approximately 4,600. The System introduced a new function of bank-securities transfer through which the clients can deposit funds to their securities account from their bank accounts directly and instantly. The daily upper limit for each client to deposit fund to their securities account through the bank-securities transfer is HK\$100 million, and there is no time constraint for the clients to deposit funds to their securities accounts. The Company has no control over the amounts of such deposits and withdrawals, which are entirely at the discretion of a client in accordance with his/her own trading requirements and the Company must act upon such instruction accordingly. Based on the Company’s experience, the client’s deposit will increase substantially when the Hong Kong IPO market performs strongly. In light of this, it would be desirable for the Group to set the maximum daily deposit balance limit with a higher limit to cater for the substantial increase within a short period of time. It is expected that the funds deposited by its clients may amount to approximately HK\$300 million for each of the three years ending 31 December 2024.

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## LETTER FROM THE BOARD

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In addition, with respect to the Group's underwriting business, the Group's clients (i.e., the issuers) may request the Group (as the underwriter) to transfer the proceeds from the bond issuance to their bank accounts within a short period after deducting fees for the sponsors and underwriters. The amount that may be transferred to the Company's account and to the clients' accounts out of such business would depend on the deals that the Company participates as the principal underwriter and the amount that the clients may raise from the offerings under the prevailing market conditions. In this regard, it is expected that such deposits may amount to approximately HK\$300 million for each of the three years ending 31 December 2024.

Based on the above analysis, it is expected the Group may deposit as much as HK\$900 million for each of the three years ending 31 December 2024. Taking into account of a moderate buffer and the factors mentioned in paragraph headed "6. Other factors", the Company proposes to set the Proposed Annual Caps for the maximum daily balance for the three years ending 31 December 2024 to be HK\$1,000 million, HK\$1,000 million and HK\$1,000 million, respectively.

### 6. Other factors

In addition to the above factors, the Board has considered the following factors when determining the Proposed Annual Caps:

- (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) the expected business growth and development with China Minsheng Group in the future; and
- (iii) the expected business growth and development within the Group in the future.

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 the Referral Services and Underwriting Services. A Responsible Officer 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 and the Custodian Services. The finance department will monitor the annual caps for the Deposit Services.

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## LETTER FROM THE BOARD

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### 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 Services by the Group will provide stable revenue source for the Group. In light of the historical transaction amounts in relation to the similar transactions provided under the 2019 Service Agreement, the current scale of business, the recent business development trend, the expected growth of the Group and the amounts 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 2024 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.

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.

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## LETTER FROM THE BOARD

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As Mr. Li Jinze, Mr. Ding Zhisuo, Mr. Ng Hoi Kam, Mr. Yang Kunpeng and Mr. Li Wenshi, 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**

As at the Latest Practicable Date, China Minsheng is the controlling shareholder of the Company which holds 30,523,539,093 Shares, representing approximately 64.97% 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%, the Services to be provided under the Service Agreement are subject to the reporting, announcement, circular, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **5. General Information**

As at the Latest Practicable Date, the Group is principally engaged in the securities business, investment and financing, asset management, corporate finance and advisory business.

With reference to the annual report of China Minsheng for the year ended 31 December 2020, China Minsheng Group mainly provides 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 RMB6.95 trillion as at 31 December 2020 and RMB34,309 million for the year ended 31 December 2020 respectively. As at 31 December 2020, the sales network of China Minsheng had covered 132 cities in the PRC, including 140 branch-level institutions (including 41 tier-one branches, 90 tier-two branches and 9 remote sub-branches), 1,178 business outlets of sub-branches (including business departments), 1,106 community sub-branches, 138 small business sub-branches. According to the interim report of China Minsheng for the six months ended 30 June 2021, its single largest shareholder is Dajia Life Insurance Co., Ltd. (whose ultimate beneficial owner is China Insurance Security Fund Co., Ltd.), holding approximately 20.73% of its A shares and approximately 5.50% of its H shares.

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## LETTER FROM THE BOARD

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### III. CLOSURE OF REGISTER OF MEMBER

The SGM is scheduled to be held on Wednesday, 12 January 2022. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 7 January 2022 to Wednesday, 12 January 2022, 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 Thursday, 6 January 2022.

### IV. 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 Wednesday, 12 January 2022 at 9:30 a.m.. The SGM Notice is set out on pages 80 to 82 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.

As at the Latest Practicable Date, China Minsheng Group was interested in, and controlled the voting right in respect of, 30,324,539,093 Shares, representing approximately 64.97% of the issued share capital of the Company. China Minsheng Group is treated to have a material interest in the Services to be provided under the Service Agreement. Accordingly, China Minsheng Group is 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).



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## LETTER FROM THE BOARD

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### V. 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.

### VI. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 39 of this circular and the letter from Gram Capital set out on pages 40 to 76 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 terms of the Service Agreement and the Services to be provided thereunder (including the Proposed Annual Caps) are fair and reasonable, and the entering into of the Service Agreement and the Services are (i) on normal commercial terms and in the ordinary and usual course of business of the Company, and (ii) in the interests of the Company and the Shareholders 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.

### VII. 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*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### CMBC CAPITAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1141)**

22 December 2021

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS UNDER THE SERVICE AGREEMENT**

We refer to the circular of the Company dated 22 December 2021 (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, and whether the entering into of the Service Agreement and the Services are (i) on normal commercial terms and in the ordinary and usual course of business of the Company; and (ii) 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, and the entering into of the Service Agreement and the Services are (i) on normal commercial terms and in the ordinary and usual course of business of the Company; and (ii) 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*

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## LETTER FROM GRAM CAPITAL

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*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

22 December 2021

*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 22 December 2021 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 16 December 2021, 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), pursuant to which:

- (a) China Minsheng Group agreed to provide China Minsheng Underwriting Referral Services to the Group and the Group agreed to provide China Minsheng Subscription Referral Services to China Minsheng Group;
- (b) the Group agreed to provide 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;

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## LETTER FROM GRAM CAPITAL

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- (c) the Group agreed to provide the Underwriting Services to China Minsheng Group;
- (d) China Minsheng Group agreed to provide the Custodian Services to the Group; and
- (e) China Minsheng Group agreed to provide the Deposit Services to the 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.

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 Services (including the Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the entering into of the Service Agreement and 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 to approve the Service Agreement and the Services (including the Annual Caps) 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.

### INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of the continuing connected transactions of the Company as set out in the Company's circular dated 3 August 2020. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationship or interest between Gram Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Having considered that (i) none of the circumstances as set out under the Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial adviser engagement and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

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## LETTER FROM GRAM CAPITAL

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### **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 therein 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.

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.

## LETTER FROM GRAM CAPITAL

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 securities business, investment, financing, asset management, corporate finance and advisory business.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2020 and for the six months ended 30 June 2021 as extracted from the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) and the Company’s interim report for the six months ended 30 June 2021 (the “**2021 Interim Report**”):

	For the six months ended 30 June 2021 ( <i>unaudited</i> ) HK\$'000	For the year ended 31 December 2020 ( <i>audited</i> ) HK\$'000	For the year ended 31 December 2019 ( <i>audited</i> ) HK\$'000	Change from 2019 to 2020 %
Revenue	461,012	1,019,185	978,683	4.14
– Securities	65,311	87,194	129,013	(32.41)
– Fixed income direct investment	209,790	555,897	365,475	52.10
– Other investment and financing	88,527	190,770	329,964	(42.18)
– Asset management	69,587	137,432	77,582	77.14
– Corporate finance and advisory	27,797	47,892	76,649	(37.52)
Profit for the period/year attributable to owners of the Company	201,189	393,220	356,863	10.19

According to the above table, the Group recorded revenue of approximately HK\$1,019.19 million for the year ended 31 December 2020 (“**FY2020**”), representing an increase of approximately 4.14% as compared to that for the year ended 31 December 2019 (“**FY2019**”). The Group’s revenue from fixed income direct investment and asset management for FY2020 increased by approximately 52.10% and 77.14% respectively as compared to those for FY2019. The Group’s revenue

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## LETTER FROM GRAM CAPITAL

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from securities, other investment and financing, and corporate finance and advisory for FY2020 decreased by approximately 32.41%, 42.18% and 37.52% respectively as compared to those for FY2019. The profit attributable to owners of the Company for FY2020 increased by approximately 10.19% as compared to that for FY2019.

As noted from the 2020 Annual Report, the aforesaid increase in profit attributable to owners of the Company for FY2020 was mainly due to (i) increase in revenue; (ii) increase in net gains on financial assets/liabilities at fair value through profit or loss; (iii) increase in other income; (iv) the decrease in impairment loss; and (v) decrease in staff costs, partially offset by (i) increase in net losses on financial assets at fair value through other comprehensive income; (ii) recognition of net losses on financial assets at amortised cost; and (iii) increase in taxation expense.

The Group recorded revenue of approximately HK\$461.01 million for the six months ended 30 June 2021 (“1H2021”), represented a decrease of 8.09% as compared to that for the corresponding period in 2020. Notwithstanding the decrease in revenue, the Group’s profit attributable to owners of the Company for 1H2021 increased by 21.60% as compared to that for the corresponding period in 2020. As noted from the 2021 Interim Report, the increase in the Group’s profit attributable to owners of the Company was primarily due to (i) the increase in net gains on financial assets at fair value through profit or loss; (ii) the decrease in impairment losses; (iii) the decrease in finance costs, partially offset by (i) the increase in net loss on financial asset at fair value through other comprehensive income; and (ii) the increase in staff costs.

With reference to the 2021 Interim Report, the Group recorded cash held on behalf of customers, cash and cash equivalents and net assets of approximately HK\$230.45 million, HK\$941.10 million and HK\$2,738.36 million respectively.

With reference to the 2021 Interim Report, looking ahead, it is believed that the recovery of the global economy, the stabilisation of the local COVID-19 pandemic and the launch of the consumer voucher scheme will help stimulate local consumption, and in the short term will continue to support the economic improvement of Hong Kong. Although the Group is optimistic about the long-term sustainable economic growth in Hong Kong and Mainland China and the Group has committed itself to further developing its business, it should continue to act cautiously and keep an eye on the possible risks in the second half of 2021.



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## LETTER FROM GRAM CAPITAL

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### **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 FY2020, China Minsheng Group mainly provides 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 of approximately RMB6.95 trillion as at 31 December 2020 and net profit of approximately RMB34,309 million for FY2020. As at 31 December 2020, the sales network of China Minsheng had covered 132 cities in the PRC, including 140 branch-level institutions (including 41 tier-one branches, 90 tier-two branches and 9 remote sub-branches), 1,178 business outlets of sub-branches (including business departments), 1,106 community sub-branches and 138 small business sub-branches.

### **Reasons for and benefits of entering into the Service Agreement**

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 increase the client base of the Group. In addition, the provision of the Services by the Group will provide stable revenue source for the Group.

We noted that prior to entering into the Service Agreement with China Minsheng, the Group had already established business relationship with China Minsheng and CMBC HK Branch by the agreements entered into in respect of, among other things, the Underwriting Referral Services, Listco AM Services, Underwriting Services and Deposit Services.

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.



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## LETTER FROM GRAM CAPITAL

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### **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***

16 December 2021

#### ***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)

#### ***Duration***

The Service Agreement shall take effect from 1 January 2022 (subject to the 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 2024 (both days inclusive), and is automatically renewable for successive periods of three years thereafter, subject to the compliance with the then applicable requirements of the Listing Rules.

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 (except for the Deposit Service Agreement which shall be amended and replaced by the Service Agreement to the extent of any discrepancy).

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## LETTER FROM GRAM CAPITAL

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(a) *Referral Services*

Pursuant to the Service Agreement, China Minsheng Group agreed to introduce, refer and communicate Underwriting Opportunities offered by Independent Third Parties to the Group.

Pursuant to the Service Agreement, the Group agreed to introduce, refer and communicate Subscription Opportunities offered by Independent Third Parties to China Minsheng 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 Group has the sole discretion on accepting any of the Underwriting Opportunities introduced, referred and communicated by China Minsheng Group.

Subscription Opportunities include opportunities for subscription and purchasing securities (equity and debt) offered by any Independent Third Party clients which generally involves type 1 regulated activity in Hong Kong as defined under the SFO. The Group has the sole discretion on introducing, referring and communicating the Subscription Opportunities to China Minsheng Group.

Pricing basis

With respect to the China Minsheng Underwriting Referral Services, China Minsheng Group will charge the Group a referral fee which shall be no more than 50% of the underwriting fees that the Group receives from the Independent Third Party clients.

Details of the payment and pricing terms of the China Minsheng Underwriting Referral Services will be specified in the individual agreement and will be negotiated on an arm's length basis between the Group and China Minsheng Group or Independent Third Party client and on terms no less favourable to the Group than those offered to and from Independent Third Parties referral agents.

In relation to the China Minsheng Subscription Referral Services, upon successful subscription of the securities by China Minsheng Group under the procurement by the Group, the Group will receive a commission, which is equivalent to a certain percentage of the subscription amount, from the Independent Third Party issuer clients.

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## LETTER FROM GRAM CAPITAL

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### Settlement terms

The underwriting fee or commission is settled by the Independent Third Party clients upon completion of the underwriting.

Unless otherwise specified in the individual agreement, the relevant referral fee for China Minsheng Underwriting Referral Services shall be settled by the Group in full upon the receipt of the underwriting fees or commission from the Independent Third Party clients, and in relation to the China Minsheng Subscription Referral Services, the Group will receive a commission or referral fee from the Independent Third Party clients upon the successful subscription of the securities by China Minsheng Group.

For our due diligence purpose, we randomly selected and obtained copies of three agreements entered into between the Group and Independent Third Parties in relation to the provision of underwriting services by the Group. We noted from such agreements that the Group received the gross proceeds from the securities issued, and deduct their entitled underwriting fees before transferring the net proceeds raised to the issuer.

Since the underwriting or subscription of Underwriting Opportunities and Subscription Opportunities are result-oriented, it is reasonable for the referral fees under both the China Minsheng Underwriting Referral Services and China Minsheng Subscription Referral Services to be settled in full upon receipt of underwriting fees by the underwriter and the successful subscription of securities by the subscriber respectively.

In light of the above, we are of the view that the settlement terms are on normal commercial terms, fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### Internal control

With reference to the Board Letter, the Group will consider the following factors when deciding to accept or to provide the Referral Services (as the case may be): (1) whether the Group has the necessary network and resources required to engage in the relevant Referral Services 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 relevant Referral Services could justify the resources estimated to be required for providing or receiving the relevant Referral Services (e.g. the referral fee to be charged by the relevant member of China Minsheng Group or the commission to be received by the Group, the expected cost of labour and time to be incurred by the staff of the Group).

A relevant Responsible Officer (within the meaning of the SFO) who does not hold any position in China Minsheng Group will be responsible for assessing the relevant Referral Services and decide whether or not to engage in such services.

As further mentioned in the Board Letter, the Company adopted certain internal control measures (the “**Referral IC Measures**”) to ensure that the terms for the 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) Referral Services” of the Board Letter.

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## LETTER FROM GRAM CAPITAL

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With respect to the China Minsheng Underwriting Referral Services, pursuant to the Referral IC 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 (the “**Underwriting Referral Fees 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
- (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.

With respect to the China Minsheng Subscription Referral Services, the Responsible Officer will ensure that fees chargeable by the Group are comparable to those transacted with Independent Third Parties.

With reference to the Board Letter, there was no referral fee charged under the China Minsheng Underwriting Referral Services for the two years ended 31 December 2020 and for the nine months ended 30 September 2021.

With reference to the Board Letter, the Group received commission of approximately HK\$5.85 million for procuring China Minsheng Group to subscribe the notes issued by an independent third party (the “**Independent Notes Issuance**”) in FY2020 under the China Minsheng Subscription Referral Services. For our due diligence purpose, we obtained the individual cooperation agreement regarding the Independent Notes Issuance, being the only transaction in relation to the China Minsheng Subscription Referral Services conducted during the two years ended 31 December 2020 and the nine months ended 30 September 2021. We consider the scope of such agreement and the number of agreement (being the only agreement entered into in respect of the China Minsheng Subscription Referral Services) to be sufficient and appropriate for us to assess the internal control of the China Minsheng Subscription Referral Services. We noticed that the commission rate applied was 1% of the principal amount of securities subscribed by China Minsheng Group. With reference to the Board Letter, the underwriting fees and commissions are transparent and standardized across the market. Upon our enquiry, we further understood from the Company that the underwriting fee or commission rate typically range from 0.1% to 1%. The commission rate of 1% for the referral of Independent Notes Issuance is consistent with the aforesaid range of underwriting fee or commission rates.

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## LETTER FROM GRAM CAPITAL

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Having considered our independent work performed as detailed above, and that (i) before confirming the referral fees, the senior management of the Company will review and assess whether the referral fee charged for the Referral Services 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 Referral Services and ensure that the Referral Services are in compliance with the Listing Rules, we consider the effective implementation of the Referral IC Measures would help to ensure fair pricing of the Referral Services.

*(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 and may include, inter alia, overseeing the operations of the investment portfolios, provision of investment policies and strategies and investment advisory services, 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.

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

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## LETTER FROM GRAM CAPITAL

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### Settlement terms

Unless otherwise specified in the individual service contract, the distribution fees shall be settled by the Group at the time of the distribution of the Funds 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 the performance of the Funds that are subject to the performance fees meet the agreed performance benchmarks.

For our due diligence purpose, we obtained (i) copies of five investment management and investment advisory agreements regarding the provision of asset management/investment advisory services by the Group to China Minsheng Group (the “**CMG AM Agreement(s)**”); and (ii) copies of three comparable investment management and investment advisory agreements regarding the provision of asset management/investment advisory services by the Group to Independent Third Parties (the “**Independent AM Agreements**”) (details of the selection basis are set out below).

Having reviewed such agreements, we noted that (i) the settlement terms of fees relating to the Listco AM Services are set out in the relevant investment management and investment advisory agreements; (ii) the settlement terms under the CMG AM Agreements and Independent AM Agreements are consistent with each other; and (iii) the settlement terms for both CMG AM Agreements and Independent AM Agreements are consistent with the settlement terms under the Listco AM Services as set out in the Board Letter.

In light of the above, we are of the view that the settlement terms are on normal commercial terms, fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### Internal control

As further mentioned in the Board Letter, the Company adopted 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 0.05% to 2% of the amount of the Funds that are distributed by China Minsheng Group (the “**Distribution Fees Mechanism**”);
- (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 0.1% 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 “**Management & Advisory Fees Mechanism**”);



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## LETTER FROM GRAM CAPITAL

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- (3) 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 (which is determined with reference to the factors including but not limited to the market condition, the past performance and the qualification of the fund managers, the objectives of the funds, the level of risk acceptable to the AM Clients, etc.) after deducting the management fee (the "**Performance Fees Mechanism**", and together with the Distribution Fees Mechanism and the Management & Advisory Fees Mechanism, 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 which includes, inter alia, valuation with reference to the market price for listed securities, or valuation with reference to brokers' quotation or valuation by Independent Third Party valuers for non-listed securities. The valuation will be reviewed by the auditors/administrators.

For our due diligence purpose, we obtained a list of funds managed by the Group (for China Minsheng Group) as at 30 June 2021. We randomly selected copies of five CMG AM Agreements and the Company provided us the same, together with copies of three Independent AM Agreements. We consider the scope of the CMG AM Agreements and the Independent AM Agreements (including management fees and advisory fees and performance fees) and the number of agreements to be sufficient and appropriate for us to assess the internal control of the Listco AM Services. According to the said agreements and as advised by the Directors, (i) the management fees and advisory fees are within 0.1% and 5% of the net asset value per annum; and (ii) the performance fees are approximately 20% of the appreciation in net asset value of the subject fund.

We also randomly selected from the aforesaid list and obtained copies of two distribution agreements entered into between the Group and China Minsheng Group, being the only two agreements entered into in respect of the distribution services during the two years ended 31 December 2020 and 1H2021. We consider the scope of such agreements and the number of agreements (being all of the distribution agreements entered into) to be sufficient and appropriate for us to assess the internal control of the Listco AM Services and ensure that the Listco AM Services are in compliance with the Listing Rules. We noted from such agreements that the distribution fee rates are within 0.05% to 2% of the amount of the Funds that are distributed by China Minsheng Group.

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## LETTER FROM GRAM CAPITAL

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Having considered our independent work performed as detailed above, 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 AM 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.

*(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.

With reference to the Board Letter, in deciding the underwriting fee, the Group shall take into account the prevailing market rates, the size of the securities to be issued, its complexities, the market condition, the market responses, competition from other underwriters, the number of underwriting projects provided or to be provided by China Minsheng Group and the fees chargeable by the Group to other Independent Third Party issuers of similar size as China Minsheng Group for similar services.

*Settlement terms*

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

For our due diligence purpose, we randomly selected and obtained copies of three agreements entered into between the Group and Independent Third Parties in relation to the provision of underwriting services by the Group. We noted from such agreements that the settlement terms are the same as that for the Underwriting Services.

In light of the above, we are of the view that the settlement terms are on normal commercial terms, fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### Internal control

With reference to the Board Letter, the Company adopted 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 0.1% and 1% of the monetary value of the securities underwritten (the “**Underwriting Fees Mechanism**”) taking into account factors including but not limited to (i) the 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) the size and nature of the relevant transaction; (iii) the resources to be incurred and the complexity in the provision of the Underwriting Services; (iv) the fees charged by the Group for similar services to Independent Third Parties in the past; and (v) the anticipated market response to the securities to be underwritten.

As advised by the Directors, the said underwriting fees or commission of 0.1% and 1% is the commission payable by the issuer to the entire underwriting group (including lead managers/managers of different securities firms) and Underwriting Fee 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).

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## LETTER FROM GRAM CAPITAL

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For our due diligence purpose, we also obtained the underwriting agreement entered into among a member of the Group (as one of the joint lead managers), members of China Minsheng Group (as borrower, guarantor and one of the joint lead managers), an Independent Third Party (as issuer) and other joint lead managers that are Independent Third Parties, being the only underwriting agreement entered into in respect of the Underwriting Services during the two years ended 31 December 2020 and the nine months ended 30 September 2021. We consider the scope of such agreement and the number of agreement (being the only agreement entered into in respect of the Underwriting Services) to be sufficient and appropriate for us to assess the internal control of the Underwriting Services. We noted from the underwriting agreement that the underwriting fee rate were separately agreed between each of the joint lead manager and the issuer while all other terms are the same among the joint lead managers. We further obtained the relevant fee letter and noted that underwriting fee rate were consistent (being within the range of 0.1% and 1% of the monetary value of the securities underwritten) with the Underwriting Fees Mechanism.

Having considered our independent work performed as detailed above, 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 and ensure that the Underwriting Services are in compliance with the Listing Rules, we consider the effective implementation of the Underwriting IC Measures would help to ensure fair pricing of the Underwriting Services.

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## LETTER FROM GRAM CAPITAL

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(d) *Custodian Services*

Pursuant to the Service Agreement, China Minsheng Group agreed to provide Custodian Services to the Group as contemplated under the Service Agreement.

Pricing basis

With respect to the Custodian Services, China Minsheng Group will charge the Group a service fee. The Group will make reference to the service fee offered by two banking institutions/trustee companies in Hong Kong for the same services and assess the fees to be charged by China Minsheng Group annually.

Details of the payment and pricing terms of the Custodian Services will be specified in the individual 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 agreement, the Group shall pay services fees to China Minsheng Group for such services annually or as agreed in writing between the Group and China Minsheng Group.

For our due diligence purpose, we obtained the CMG Custodian Agreement (as defined below) and copies of three Independent Custodian Agreements (as defined below) (selection basis are detailed below). We noted that (i) settlement terms in respect of Custodian Services are set out in the relevant agreements; (ii) settlement terms under the CMG Custodian Agreement and the Independent Custodian Agreements are consistent with each other; (iii) settlement terms under the CMG Custodian Agreement and the Independent Custodian Agreements are consistent to the settlement terms under the Custodian Services as set out in the Board Letter.

In light of the above, we are of the view that the settlement terms under the Custodian Services are on normal commercial terms, fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### Internal control

With reference to the Board Letter, the Company will adopt certain internal control measures (the “**Custodian IC Measures**”) to ensure that the terms for the Custodia 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 Custodia IC Measures are set out in the sub-section headed “Internal Control” under the section headed “(d) Custodian Services” of the Board Letter.

Pursuant to the Custodian IC Measures, the service fee to be charged by China Minsheng Group under the Custodian Services shall be determined with reference to the factors including but not limited to (i) the prevailing market rates of similar services charged by companies with similar size of operations and reputation of China Minsheng Group at the relevant time; and (ii) the size and nature of the relevant transaction (the “**Custodian Fees Mechanism**”).

For our due diligence purpose, we obtained (i) the agreement along with relevant fee schedule regarding the provision of Custodian Services by China Minsheng Group to the Group (the “**CMG Custodian Agreement**”), being the only agreement entered into with China Minsheng Group in respect of the Custodian Services during the two years ended 31 December 2020 and 1H2021; and (ii) three agreements along with their respective fee schedule regarding the provision of custodian services by Independent Third Parties to the Group (the “**Independent Custodian Agreement(s)**”). We consider the scope of such agreement and the number of agreements to be sufficient and appropriate for us to assess the internal control of the Custodian Services. We noted from the CMG Custodian Agreement that the custodian fees charged by China Minsheng Group were less than those charged under the Independent Custodian Agreements.

Having considered our independent work performed as detailed above, the Custodian 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 by Independent Third Parties for comparison and as a reference to assess whether the fee charged for the Custodian Services 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 Custodian Services and ensure that the Custodian Services are in compliance with the Listing Rules, we consider the effective implementation of the Custodian IC Measures would help to ensure fair pricing of the Custodian Services.

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## LETTER FROM GRAM CAPITAL

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(e) *Deposit Services*

Pursuant to the Service Agreement, China Minsheng Group agreed to provide Deposit Services to the Group as contemplated under the Service Agreement.

Pricing basis

The interest rate to be paid by China Minsheng Group for the Group's deposits with China Minsheng Group pursuant to the Services Agreement shall be determined based on the prevailing deposit interest rate promulgated by China Minsheng Group for the same period and should not be lower than the deposit interest rates offered by other major commercial banks in Hong Kong or the PRC for comparable deposits of comparable periods (the “**Interest Rates Mechanism**”).

Internal control

With reference to the Board Letter, the Company adopted certain internal control measures (the “**Deposit IC Measures**”) to ensure that the terms for the Deposit 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 Deposit IC Measures are set out in the sub-section headed “Internal Control” under the section headed “(e) Deposit Services” of the Board Letter.

Pursuant to the Deposit IC Measures, (i) the Group shall place or maintain any deposits under the Services Agreement on a non-exclusive basis. The Group will, on a regular basis, obtain quotations (setting out, among others, the applicable interest rates) from at least two other major commercial banks in the relevant jurisdiction who are Independent Third Parties of the Group to confirm the rate(s) offered by China Minsheng Group are no less favourable to the Group, and conduct assessment taking into account several factors, including without limitation external customers' needs, efficiency of financial resources arrangement, daily operation needs and the expected cash flow before making its decision as to the bank with which the deposits are to be placed. In the event that the Group is aware the rates(s) offered by China Minsheng Group become less favourable to the Group, the Group shall arrange to transfer deposits from China Minsheng Group to other financial institutions who are Independent Third Parties of the Group within a reasonable period of time; and (ii) the Group will

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## LETTER FROM GRAM CAPITAL

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monitor the maximum balance of the deposits placed and maintained with China Minsheng Group under the Services Agreement on a daily basis to ensure that such balance does not exceed the relevant Proposed Annual Caps; where the balance is close to the relevant Proposed Annual Caps, the Group will arrange for some of the deposit placed with China Minsheng Group to be transferred to its bank accounts maintained with other financial institutions who are Independent Third Parties of the Group.

For our due diligence purpose, we obtained from the Company a list of prevailing interest rates offered by (i) China Minsheng Group; and (ii) major commercial banks in Hong Kong who are Independent Third Parties (**“Independent Banks”**), for comparable deposits. Based on the aforesaid list, we noted that the interest rates offered by China Minsheng Group are the same as those offered by Independent Banks for comparable deposits.

As further advised by the Directors, the Group will monitor the interest rates offered by China Minsheng Group and other Independent Banks as published on the relevant banking institution’s website on a weekly basis to ensure the interest rate offered by China Minsheng Group is no less favourable to the Group than those offer by Independent Banks.

Having considered our independent work performed as detailed above, the Interest Rates Mechanism and that the Company’s external auditor and the independent non-executive Directors will conduct an annual review of the Deposit Services and ensure that the Deposit Services are in compliance with the Listing Rules, we consider the effective implementation of the Deposit IC Measures would help to ensure fair pricing of the Underwriting Services.



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## LETTER FROM GRAM CAPITAL

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### Proposed Annual Caps

#### (a) Referral Services

Set out below are the Proposed Annual Caps of Referral Services for the three years ending 31 December 2024 as extracted from the Board Letter:

	For the year ending 31 December 2022 ("FY2022") HK\$ million	For the year ending 31 December 2023 ("FY2023") HK\$ million	For the year ending 31 December 2024 ("FY2024") HK\$ million
<b>Proposed Annual Caps</b>			
China Minsheng Underwriting Referral Services ( <i>Note</i> )	12	12	12
China Minsheng Subscription Referral Services	12	12	12

*Note:* fee payable by the Group to China Minsheng Group

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. Referral Services" under the section headed "Proposed Annual Caps" of the Board Letter.

With reference to the Board Letter, there was no utilization of the historical annual caps for China Minsheng Underwriting Referral Services during the two years ended 31 December 2020 and the nine months ended 30 September 2021 due to the reasons as set out in the sub-section headed "Historical Annual Caps and Transaction Amounts" under the section headed "2. The Service Agreement" of the Board Letter. Despite the above circumstances, to assess the fairness and reasonableness of the Proposed Annual Caps for China Minsheng Underwriting Services, we conducted the following analyses.

As advised by the Directors, as a business strategy of the China Minsheng Group, certain Underwriting Opportunities will be referred by China Minsheng Group to the Group during the three years ending 31 December 2024. In addition, the referral of Subscription Opportunities can further promote the linkage, and effectively integrate the business resources, level of operation and management among the group members (including the Group). With reference to the Board Letter and as advised by the Directors, the Group has the sole discretion on accepting any of the Underwriting Opportunities introduced, referred and communicated by China Minsheng Group, and for any Subscription Opportunities presented to the Group, the Group would accept such Subscription Opportunities and refer such Subscription Opportunities when it is beneficial to the Group. As such, the Proposed Annual Caps for both China Minsheng Underwriting Referral Services and China Minsheng Subscription Referral Services were determined with a view to cater for the possible transaction amounts during each year.

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## LETTER FROM GRAM CAPITAL

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With reference to the Board Letter, during the two years ended 31 December 2020 and for the nine months ended 30 September 2021, there was no referral fee charged under the China Minsheng Underwriting Referral Services and there was only one transaction (i.e. the Independent Notes Issuance during FY2020) in respect of China Minsheng Subscription Referral Services. We also noted that the Proposed Annual Caps in respect of China Minsheng Underwriting Referral Services for each of the three years ending 31 December 2024 is the same as that for the year ending 31 December 2021 (“**FY2021**”).

As advised by the Directors, China Minsheng Group provided certain China Minsheng Underwriting Referral Services to the Group without any charge during the two years ended 31 December 2020 and the nine months ended 30 September 2021. Accordingly, there was no referral fee charged under the China Minsheng Underwriting Referral Services during the two years ended 31 December 2020 and for the nine months ended 30 September 2021. We understood from the Directors that the Proposed Annual Caps for the China Minsheng Underwriting Referral Services were determined with the assumption that underwriting referral fees are required to be paid by the Group. To assess the fairness and reasonableness of the Proposed Annual Caps for the China Minsheng Underwriting Referral Services, we obtained from the Company a list of underwriting projects referred by China Minsheng Group during FY2020 and for the nine months ended 30 September 2021. We noted that based on the gross commission received by the Group for such underwriting projects and the underwriting referral fee rate of 50% of the gross commission according to the Underwriting Referral Fees Mechanism, the Group would have to pay underwriting referral fees of approximately US\$2.06 million and US\$1.69 million (equivalent to approximately HK\$16.05 million and HK\$13.17 million) for FY2020 and for the nine months ended 30 September 2021, respectively. Such amounts are close to the Proposed Annual Caps for the China Minsheng Underwriting Referral Services during each of the three years ending 31 December 2024.

With reference to the Board Letter, due to the change in the China Minsheng Group’s internal policy in 2019, China Minsheng Group waived the referral fees in relation to China Minsheng Underwriting Referral Services. However, it is uncertain whether there will be any change to such policy in the future. In case that there is such a change, the Company may be required to pay the referral fees. Although the aforesaid underwriting referral fees for FY2020 and for nine months ended 30 September 2021 that the Group would have to pay exceeded the Proposed Annual Caps for the three years ending 31 December 2024 (if they were not waived), given that the aforesaid underwriting referral fees were calculated based on the maximum referral fee rate of 50% of the gross commission according to the Underwriting Referral Fees Mechanism (whereas the underlying referral fee rates are determined with reference to, among other things, the size of the issuance of securities, the complexities associated with the issuance and the market condition), we do not doubt the sufficiency of the Proposed Annual Caps.

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## LETTER FROM GRAM CAPITAL

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As aforementioned, during the two years ended 31 December 2020 and the six months ended 30 June 2021, there was only one transaction (i.e. the Independent Notes Issuance during FY2020) in respect of China Minsheng Subscription Referral Services whereby the Group received commission of approximately HK\$5.85 million during FY2020. The aforesaid commission was calculated based on the principal amount subscribed and the relevant commission rate on the subscribed principal amount. As advised by the Directors, given the uncertainty regarding the occurrence of Subscription Opportunities, the China Minsheng Subscription Referral Services (including the Proposed Annual Caps) enable to Group to refer Subscription Opportunities to China Minsheng Group without having to obtain regulatory and Independent Shareholders' approval every time should any of such opportunity arise. As further advised by the Directors, the Group conduct over 100 underwriting projects on an annual basis and the Group usually discuss such underwriting projects with China Minsheng Group. Although there was only one transaction in respect of China Minsheng Subscription Referral Services during the two years ended 31 December 2020 and the nine months ended 30 September 2021, given the substantial number of underwriting projects (which may become Subscription Opportunities after discussion with China Minsheng Group), the Directors are of the view that it is reasonable and prudent to assume the Group will come across with two Subscription Opportunities with similar size as the Independent Notes Issuance on an annual basis.

Based on the above, we consider the Proposed Annual Caps of China Minsheng Underwriting Referral Services and China Minsheng Subscription Referral Services for the three years ending 31 December 2024 to be fair and reasonable.

Having also considered our assessment on the pricing basis of the Referral Services under the sub-section headed "Principal terms of the Service Agreement – (a) Referral Services" above, we are of the view that the terms of the Referral Services are on normal commercial terms and are fair and reasonable.

### **(b) Listco AM Services**

Set out below are the Proposed Annual Caps of Listco AM Services for the three years ending 31 December 2024 as extracted from the Board Letter:

	For the year ending 31 December 2022 HK\$ million	For the year ending 31 December 2023 HK\$ million	For the year ending 31 December 2024 HK\$ million
<b>Proposed Annual Caps</b>			
Listco AM Services			
– Distribution fees (Note)	62	68.2	75.02
– Management fees and advisory fees	148.8	178.56	214.27
– Performance fees	74.4	89.28	107.14

Note: fee payable by the Group to China Minsheng Group

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## LETTER FROM GRAM CAPITAL

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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.

With reference to the Board Letter, under the Listco AM Services, (i) there was no utilization of the historical annual cap for FY2019 in respect of distribution fees and performance fee; (ii) the utilization of the historical annual cap for FY2020 in respect of the distribution fees was low; and (iii) the utilization of the historical annual caps for FY2021 in respect of the distribution fees and performance fees was low (based on figures for the nine months ended 30 September 2021), due to the reasons as set out in the sub-section headed “Historical Annual Caps and Transaction Amounts” under the section headed “2. The Service Agreement” of the Board Letter. Despite the above circumstances, to assess the fairness and reasonableness of the Proposed Annual Caps for Listco AM Services, we conducted the following analyses.

We obtained the calculation of the Proposed Annual Caps for Listco AM Services. From such calculation, we noted the amount of existing funds and expected new funds of the Group and their respective estimated management fees, estimated performance fees (if applicable) and estimated distribution fees (if applicable). According to the calculation and as explained by the Directors:

- (a) the Proposed Annual Caps of the management fees and advisory fees are based on:
  - (i) the sum of asset management/advisory fees of the Group’s existing funds of approximately US\$13.8 million (equivalent to approximately HK\$107.7 million) for FY2021;
  - (ii) the sum of expected asset management/advisory fees of the Group’s expected funds of approximately US\$3.1 million, US\$1.0 million and US\$0.7 million (equivalent to approximately HK\$24.2 million, HK\$7.8 million and HK\$5.6 million) for FY2022, FY2023 and FY2024, respectively, calculated based on the Management & Advisory Fees Mechanism;
  - (iii) the expected growth in existing and expected funds size for the three years ending 31 December 2024 (the averages of such growth rates ranged from 12.74% to 15.09%);and
  - (iv) moderate buffers of below 10% for each of the three years ending 31 December 2024.

The expected asset management/advisory fees of each of the Group’s existing and expected funds were determined based on the respective size of the fund multiplying the management/advisory fee rate of the respective fund (which is in line with the Management & Advisory Fees Mechanism);

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## LETTER FROM GRAM CAPITAL

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- (b) the Proposed Annual Caps of performance fees are based on:
- (i) the sum of performance fees of the Group's existing funds which are subject to performance fees of approximately US\$6.8 million (equivalent to approximately HK\$53.0 million) for FY2021;
  - (ii) the sum of expected performance fees of the Group's expected funds of approximately US\$1.2 million (equivalent to approximately HK\$9.36 million) for each of FY2022, FY2023 and FY2024, calculated based on the Performance Fees Mechanism;
  - (iii) the expected growth in fund size for the three years ending 31 December 2024 (the averages of such growth rates ranged from 5.82% to 14.79%); and
  - (iv) moderate buffers of below 10% for each of the three years ending 31 December 2024.

The expected performance fees of each of the Group's existing and expected funds were determined based on their respective beginning value in each of the prior year multiplying their respective estimated growth for each of the years ending 31 December 2024 and applicable performance fees rates of the respective funds (which is in line with the Performance Fees Mechanism); and

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## LETTER FROM GRAM CAPITAL

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- (c) the Proposed Annual Caps of the distribution fees are based on:
- (i) the sum of distribution fees of the Group's existing funds which are subject to distribution fees charged by China Minsheng Group of approximately US\$6.2 million (equivalent to approximately HK\$48.4 million) for FY2021;
  - (ii) the sum of expected distribution fees of the Group's expected funds of approximately US\$0.3 million, US\$30,000 and US\$30,000 (equivalent to approximately HK\$2.3 million, HK\$0.2 million and HK\$0.2 million) for each of FY2022, FY2023 and FY2024, respectively, calculated based on the Distribution Fees Mechanism;
  - (iii) the expected growth in size for the three years ending 31 December 2024 (the averages of such growth rates ranged from 9.42% to 10.30%); and
  - (iv) moderate buffers of below 10% for each of the three years ending 31 December 2024.

The expected distribution fees of the existing and expected fund were determined as the respective size of the fund multiplying the distribution fees rates charged by China Minsheng Group (which is in line with the Distribution Fees Mechanism).

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## LETTER FROM GRAM CAPITAL

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In respect of the expected growth rate applied to the Proposed Annual Caps (the expected growth rates applied to each individual funds/management accounts that are subject to performance fees and distribution fees are same as that applied for calculation of Proposed Annual Caps for asset management and advisory fee), we noted that:

- (i) the historical transaction amount for asset management and advisory fees for FY2020 increased by 25.19% as compared to that for FY2019, and the annualized transaction amount for FY2021 (calculated based on the historical transaction amount for the nine months ended 30 September 2021) accounted for approximately 112.96% of the historical transaction amount for FY2020, represents an annualised growth rate of 12.96%;
- (ii) with reference to the Board Letter, the Group's asset under management increased from approximately HK\$8 billion as at 31 December 2019 to over HK\$11 billion as at 31 December 2020, representing an increase of approximately 37.50%. Given such increase is a measure of the Group's ability to increase the size of the AUM, regardless of whether the asset management and advisory services are provided to connected persons or independent third parties, we consider such reference is relevant and representative to the determination of the Proposed Annual Caps; and
- (iii) as advised by the Directors, the launch of the Cross-boundary Wealth Management Connect Scheme in the Guangdong-Hong Kong-Macao Greater Bay Area in September 2021 that allow eligible PRC, Hong Kong and Macao residents in the Greater Bay Area to invest in wealth management products distributed by banks in each other's market, would serve as a new investment channel for individual retail investors to invest in funds/management accounts managed by the Group, which would further increase the size of funds/management accounts thereby increasing the relevant fees for Listco AM Services.

As such, we do not doubt the estimated growth rates applied in the calculation of the Proposed Annual Caps for Listco AM Services.

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## LETTER FROM GRAM CAPITAL

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In respect of the moderate buffers included in the Proposed Annual Caps, we understood from the Directors that such buffers were incorporated to cater for any unforeseen circumstances such as any potential increase in fee rates or substantial growth in size of AUM resulting from favourable market conditions. We also noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among listed companies in Hong Kong.

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 each year ending 31 December 2024); (ii) the estimated distribution fees, management fees and advisory fees and performance fees are in line with the AM Fees Mechanism; (iii) moderate buffers were included in the Proposed Annual Caps, we consider the Proposed Annual Caps of the Listco AM Services for the three years ending 31 December 2024 to be fair and reasonable.

Having also considered our assessment on the pricing basis of the Listco AM Services under the sub-section headed "Principal terms of the Service Agreement – (b) Listco AM Services" above, we are of the view that the terms of the Listco AM Services are on normal commercial terms and are fair and reasonable.



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## LETTER FROM GRAM CAPITAL

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### **(c) Underwriting Services**

Set out below are the Proposed Annual Caps for the three years ending 31 December 2024 as extracted from the Board Letter:

	<b>For the year ending 31 December 2022 <i>HK\$ million</i></b>	<b>For the year ending 31 December 2023 <i>HK\$ million</i></b>	<b>For the year ending 31 December 2024 <i>HK\$ million</i></b>
<b>Proposed Annual Caps</b>	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.

With reference to the Board Letter, (i) there was no utilization of the historical annual cap for FY2019 and FY2020 in respect of the Underwriting Services; and (ii) the utilization of the historical annual cap for FY2021 in respect of the Underwriting Services was low (based on figures for the nine months ended 30 September 2021), due to the reasons as set out in the sub-section headed “Historical Annual Caps and Transaction Amounts” under the section headed “2. The Service Agreement” of the Board Letter. Despite the above circumstances, to assess the fairness and reasonableness of the Proposed Annual Caps for the Underwriting Services, we conducted the following analyses.

We understood from the Directors that the Proposed Annual Caps were calculated based on (i) the principal amount of securities to be underwritten by the Group of approximately HK\$1,000 million for each of the three years ending 31 December 2024; (ii) the underwriting fee rate of 1% of the principal amount of securities underwritten (being in line with the Underwriting Fees Mechanism); and (iii) moderate buffers of 10% for each of the three years ending 31 December 2024.

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## LETTER FROM GRAM CAPITAL

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We obtained a list of outstanding listed debt securities issued by China Minsheng Group (as advised by the Directors, China Minsheng Group is expected to re-issue such debt securities when they mature, which may give rise to cooperation opportunities for the provision of Underwriting Services by the Group in respect of the listed debt securities). Based on the maturity dates of such listed debt securities, China Minsheng Group is expected to re-issue the principal amount of listed debt securities of approximately US\$1,080 million, US\$1,400 million and US\$1,400 million for the three years ending 31 December 2024 respectively. Based on the debt securities issuance record of China Minsheng Group as provided by the Company, during most of the years from 2015 to 2021, the amount of debt securities issued by China Minsheng Group exceeded the amount of debt securities matured during the year. Accordingly, we do not doubt the expected re-issue as mentioned above. With reference to the Board Letter, it is expected that the Group will be engaged to underwrite the bonds in the aggregate principal amount of approximately US\$110 million, US\$140 million and US\$140 million (equivalent to HK\$858 million, HK\$1,092 million and HK\$1,092 million) for each of the three years ending 31 December 2024, respectively. Based on the Underwriting Fee Mechanism, the Group may receive underwriting services fees of up to approximately HK\$10 million per annum.

We understood from the Directors that, the expected principal amount of bonds to be underwritten by the Group were estimated with reference to (i) the Group's historical participation in underwriting projects of China Minsheng Group; and (ii) the size of the historical underwriting project under the Underwriting Services during the two years ended 31 December 2020 and the six months ended 30 June 2021.

In respect of the moderate buffers included in the Proposed Annual Caps, we understood from the Directors that such buffers were incorporated to cater for any unforeseen circumstances such as any potential increase in the underwriting fee rates or engagement of underwriting projects that are substantially larger in size as compared to those that the Group would normally be engaged to underwrite. We also noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among listed companies in Hong Kong.

In light of the above and the moderate buffer of approximately 10% was included to provide flexibility to cater for any potential fluctuations of the actual size of the projects and market conditions over the terms of the Service Agreement, we consider such Proposed Annual Cap of the Underwriting Services for the three years ending 31 December 2024 to be fair and reasonable.

Having also considered our assessment on the pricing basis of the Underwriting Services under the sub-section headed "Principal terms of the Service Agreement – (c) Underwriting Services" above, we are of the view that the terms of the Underwriting Services are on normal commercial terms and are fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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**(d) Custodian Services**

Set out below are the Proposed Annual Caps for the three years ending 31 December 2024 as extracted from the Board Letter:

	For the year ending 31 December 2022 <i>HK\$ million</i>	For the year ending 31 December 2023 <i>HK\$ million</i>	For the year ending 31 December 2024 <i>HK\$ million</i>
<b>Proposed Annual Caps</b>	9.42	11.30	13.56

In arriving at the Proposed Annual Caps for Custodian Services, the Directors have considered factors as mentioned in the sub-section headed “4. Custodian Services” under the section headed “Proposed Annual Caps” of the Board Letter.

We understood from the Directors that the Proposed Annual Caps were calculated based on (i) the expected principal amount of securities to be deposited with China Minsheng Group of approximately US\$1 billion, US\$1.2 billion and US\$1.44 billion (equivalent to approximately HK\$7.80 billion, HK\$9.36 billion and HK\$11.23 billion respectively) for each of the three years ending 31 December 2024, respectively; (ii) the custodian fee rate of 0.11% of the principal amount of securities to be deposited with China Minsheng Group (being in line with the Custodian Fees Mechanism); and (iii) moderate buffers of 10% for each of the three years ending 31 December 2024.

With reference to the Board Letter, as of the Latest Practicable Date, the principal amount of securities deposited with China Minsheng Group was approximately HK\$50 million. With reference to the Board Letter, the principal amount of securities held by the Group (including those deposited with China Minsheng Group) amounted to approximately HK\$9.37 billion as at 30 June 2021.

As advised by the Directors, based on their past experience, the custodian fee rates charged by the custodian typically range from approximately 0.06% to 0.11%, based on the prevailing rates that vary from time to time. The Proposed Annual Caps were formulated based on the maximum custodian fee rate of 0.11% for the three years ending 31 December 2024. We understood from the Directors that the maximum custodian fee rate of 0.11% were determined with reference to (i) the minimum custodian charge that may be applicable to the custodian services provide by independent third parties when the size of assets under custodian is below the minimum threshold; and (ii) the Group’s expected minimum size of assets to be deposited with custodian.

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## LETTER FROM GRAM CAPITAL

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Furthermore, as aforementioned, the principal amount of securities held by the Group (including those deposited with China Minsheng Group) amounted to approximately HK \$9.37 billion while the principal amount of securities expected to be deposited with China Minsheng Group for each of the three years ending 31 December 2024 amounted to approximately US\$1 billion, US\$1.2 billion and US\$1.44 billion respectively (equivalent to approximately HK\$7.80 billion, HK\$9.36 billion and HK\$11.23 billion respectively), representing year-on-year increase of 20%. We noted from the 2021 Interim Report that the principal amount of securities held by the Group increased from approximately HK\$7.15 billion as at 31 December 2020 to approximately HK\$9.37 billion as at 30 June 2021, represented an increase of approximately 31.03%. Given such increase is a measure of fair value of the securities held by the Group, regardless of whether the custodian services are provided to connected persons or independent third parties, we consider such reference is relevant and representative to the determination of the Proposed Annual Caps. As such, we do not doubt the estimated growth rates applied in the calculation of the Proposed Annual Caps for Custodian Services.

In respect of the moderate buffers included in the Proposed Annual Caps, we understood from the Directors that such buffers were incorporated to cater for any unforeseen circumstances such as any potential increase in fee rates or any substantial growth in size of AUM resulting from favourable market conditions, which would thereby increase the amount of the Custodian Services. We also noted from other Hong Kong listed companies' circulars regarding continuing connected transactions that the incorporation of buffer of 10% in the proposed annual caps are common among listed companies in Hong Kong.

In light of the above and the moderate buffer of approximately 10% was included to provide flexibility to cater for any potential fluctuations of the actual size of the projects and market conditions over the terms of the Service Agreement, we consider such Proposed Annual Cap of the Custodian Services for the three years ending 31 December 2024 to be fair and reasonable.

Having also considered our assessment on the pricing basis of the Custodian Services under the sub-section headed "Principal terms of the Service Agreement – (d) Custodian Services" above, we are of the view that the terms of the Custodian Services are on normal commercial terms and are fair and reasonable.

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## LETTER FROM GRAM CAPITAL

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### (e) *Deposit Services*

Set out below are the Proposed Annual Caps for the three years ending 31 December 2024 as extracted from the Board Letter:

	For the year ending 31 December 2022 <i>HK\$ million</i>	For the year ending 31 December 2023 <i>HK\$ million</i>	For the year ending 31 December 2024 <i>HK\$ million</i>
<b>Proposed Annual Caps</b>	1,000	1,000	1,000

In arriving at the Proposed Annual Caps for the Deposit Services, the Directors have considered factors as mentioned in the sub-section headed “5. Deposit Services” under the section headed “Proposed Annual Caps” of the Board Letter.

With reference to the Board Letter, the maximum daily deposit balance placed by the Group with China Minsheng Group was HK\$129.5 million, HK\$257.0 million and HK\$190.9 million for FY2019, FY2020 and for the nine months ended 30 September 2021, respectively.

The maximum daily deposit balance for FY2019, FY2020 and the nine months ended 30 September 2021 was relatively low as compared to the Proposed Annual Caps of Deposit Services. As noted from the Board Letter, with the introduction of a new function of bank-securities transfer to the Group’s securities trading system, the Group’s clients can deposit funds to their securities account (represents cash held on behalf of customers) from their bank account directly and instantly (the “**New Function**”). As advised by the Director, the effect of the New Function may result in unexpected surge the amount of cash deposited by the Group’s clients at any given time and thus the Proposed Annual Caps of Deposit Services are set at such amount to cater for any substantial increase in maximum daily balance deposit with China Minsheng Group.

As illustrated above, the Group’s total cash balance (being the Group’s cash held on behalf of customers and cash and cash equivalents in aggregate) amounted to approximately HK\$1,171.55 million as at 30 June 2021, which is slightly higher than the Proposed Annual Caps of HK\$1,000 million. Furthermore, given the New Function may result in unexpected surge in maximum daily deposits placed with China Minsheng Group at any given time, the Directors advised us that, the Proposed Annual Caps for Deposit Services (i.e. deposits placed with China Minsheng Group) will also be utilized to cater for the deposit of funds by the Group’s clients.

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## LETTER FROM GRAM CAPITAL

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Having considered the above factors, we are of the view that Proposed Annual Cap of the Deposit Services for the three years ending 31 December 2024 to be fair and reasonable.

Having also considered our assessment on the pricing basis of the Deposit Services under the sub-section headed “Principal terms of the Service Agreement – (e) Deposit Services” above, we are of the view that the terms of the Deposit Services are on normal commercial terms and are 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 2024, and they do not represent forecasts of fees to be generated/cost to be incurred from or deposit amount under 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.

### **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.

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## LETTER FROM GRAM CAPITAL

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### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Services (including the Proposed Annual Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Service Agreement and 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 to be proposed at the SGM to approve the Service Agreement and the Services (including the Proposed Annual Caps) and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**David Kwan**  
*Director*

*Note:* Mr. David Kwan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has around 15 years of experience in investment banking industry.

**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 2020 (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:

<b>Name</b>	<b>Qualification</b>
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 2020 (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 2020, 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 ON DISPLAY**

Copies of the following documents will be available on (i) the website of the Company ([www.cmbccap.com](http://www.cmbccap.com)) and (ii) the website of the Stock Exchange ([www.hkex.com](http://www.hkex.com)) during the period of 14 days from the date of this circular:

- (a) the written consent of the expert referred to under the section headed “Qualification and Consent of Expert” in this Appendix; and
- (b) the Service Agreement.

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## NOTICE OF SPECIAL GENERAL MEETING

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### CMBC CAPITAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1141)**

## 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 Wednesday, 12 January 2022 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. Unless otherwise defined, capitalized terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 22 December 2021.

### ORDINARY RESOLUTION

**“THAT**

1. (i) the service agreement (the “**Service Agreement**”) dated 16 December 2021 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 2024, 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

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## NOTICE OF SPECIAL GENERAL MEETING

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- (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, 22 December 2021

*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 Friday, 7 January 2022 to Wednesday, 12 January 2022, 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 Thursday, 6 January 2022.
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.

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## NOTICE OF SPECIAL GENERAL MEETING

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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. Yang Kunpeng and Mr. Li Wenshi, and the independent non-executive Directors are Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua.*