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大新銀行集團有限公司

DAH SING BANKING GROUP LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

The holding company of Dah Sing Bank, Limited

(Stock Code: 2356)

**CONNECTED TRANSACTIONS
AND CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO HONG KONG AND MACAU DISTRIBUTION AGREEMENTS**

THE SHARE SALE AGREEMENT

On 2 June 2016, DSFH (the Hong Kong listed holding company of the Company) entered into the Share Sale Agreement with the Purchaser, pursuant to which DSFH and MIC conditionally agreed to sell (or procure the sale of), and the Purchaser conditionally agreed to purchase, the entire issued share capital of each of DSLA, DSIS and MLIC, whose collective core business is the sale and underwriting of life-insurance products in Hong Kong and Macau.

THE HONG KONG AND MACAU DISTRIBUTION AGREEMENTS

DSB (a wholly owned subsidiary of the Company) proposes to enter into the Hong Kong Distribution Agreement with DSLA and DSIS upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement, pursuant to which: (i) DSLA will agree to appoint DSB as its non-exclusive insurance agent for distribution of life-insurance products in Hong Kong; and (ii) DSB will agree to appoint DSLA as its exclusive supplier of life-insurance products in Hong Kong to its retail customers. The existing distribution agreement and agency agreement entered into by DSIS and DSB will be terminated on the same day as the signing of the Hong Kong Distribution Agreement.

BCM (a wholly owned subsidiary of the Company) proposes to enter into the Macau Distribution Agreement with MLIC upon completion of the sale of the Macau Shares under the Share Sale Agreement, pursuant to which: (i) MLIC will agree to appoint BCM as its non-exclusive insurance agent for distribution of life-insurance products in Macau; and (ii) BCM will agree to appoint MLIC as its exclusive supplier of life-insurance products in Macau to its retail customers. The existing distribution agreement and agency agreement entered into by MLIC and BCM will be terminated on the same day as the signing of the Macau Distribution Agreement.

LISTING RULES IMPLICATIONS

As the Purchaser has (i) entered into the Share Sale Agreement with DSFH (a substantial shareholder of the Company); and (ii) proposed to enter into the Hong Kong Distribution Agreement with DSB through DSFH's currently wholly owned subsidiaries DSLA and DSIS, and the Macau Distribution Agreement with BCM through DSFH's currently non-wholly owned subsidiary MLIC, the Purchaser has been deemed by the Stock Exchange to be a connected person of the Company at the point in time of entering into, and proposing to enter into, these respective agreements, pursuant to Rules 14A.19 and 14A.20 of the Listing Rules.

As a result, the Distribution Agreements constitute, under Chapter 14A of the Listing Rules, connected transactions of the Company with respect to the Fixed Payments, and continuing connected transactions with respect to the Variable Payments until not later than 31 December 2017. From not later than that date, the pricing of the Variable Payments is subject to periodic review by DSLA and DSB under the Hong Kong Distribution Agreement, and by MLIC and BCM under the Macau Distribution Agreement, as referred to in the sections entitled "*Consideration*" in the descriptions of the Distribution Agreements below.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Distribution Agreements are more than 5%, the Distribution Agreements are subject to the reporting, announcement, and in the case of the Variable Payments, the annual review requirements until 31 December 2017, as well as the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

SHAREHOLDERS' APPROVAL AND INDEPENDENT BOARD COMMITTEE

The Company will convene the EGM to seek, among other things, the approval of the Independent Shareholders for the Transaction. DSFH will abstain from voting at the EGM in respect of each of the resolutions on the Transaction.

An independent board committee of the Company, comprising all the independent non-executive Directors, will be established to consider the terms of the Distribution Agreements and an independent financial adviser will be appointed by the Company to advise the independent board committee of the Company and the Independent Shareholders whether the terms of the Distribution Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CIRCULAR

A circular containing, among other things, (i) details of the Distribution Agreements and the Transaction; (ii) a letter of advice on the Transaction from the independent financial adviser of the Company to the independent board committee of the Company and the Independent Shareholders; (iii) the recommendation of the independent board committee of the Company to the Independent Shareholders; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, is expected to be despatched to Shareholders on or before 8 August 2016 as additional time is required to prepare the information to be included into the circular.

AS COMPLETION OF THE SHARE SALE AGREEMENT IS CONDITIONAL ON THE SATISFACTION (OR, IF APPLICABLE, WAIVER) OF THE CONDITIONS, THE TRANSACTION MAY OR MAY NOT PROCEED. THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE DISTRIBUTION AGREEMENTS WILL BE IMPLEMENTED OR EXECUTED. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD EXERCISE CAUTION WHEN DEALING IN THE SHARES.

THE SHARE SALE AGREEMENT

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THE HONG KONG AND MACAU DISTRIBUTION AGREEMENTS

DSB (a wholly owned subsidiary of the Company) proposes to enter into the Hong Kong Distribution Agreement with DSLA and DSIS upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement, pursuant to which: (i) DSLA will agree to appoint DSB as its non-exclusive insurance agent for distribution of life-insurance products in Hong Kong; and (ii) DSB will agree to appoint DSLA as its exclusive supplier of life-insurance products in Hong Kong to its retail customers. The existing distribution agreement and agency agreement entered into by DSIS and DSB will be terminated on the same day as the signing of the Hong Kong Distribution Agreement.

BCM (a wholly owned subsidiary of the Company) proposes to enter into the Macau Distribution Agreement with MLIC upon completion of the sale of the Macau Shares under the Share Sale Agreement, pursuant to which: (i) MLIC will agree to appoint BCM as its non-exclusive insurance agent for distribution of life-insurance products in Macau; and (ii) BCM will agree to appoint MLIC as its exclusive supplier of life-insurance products in Macau to its retail customers. The existing distribution agreement and agency agreement entered into by MLIC and BCM will be terminated on the same day as the signing of the Macau Distribution Agreement.

A summary of the major terms of the Hong Kong Distribution Agreement and the Macau Distribution Agreement is set out below:

THE HONG KONG DISTRIBUTION AGREEMENT

Date

Proposed to be entered into upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement

Parties

- (i) DSLA;
- (ii) DSIS; and
- (iii) DSB.

Please see the section headed “*Information on the Company and the Parties*” below for further information on the parties to the Hong Kong Distribution Agreement.

Term

15 years

Subject Matter

Under the Hong Kong Distribution Agreement:

- (i) DSLA will agree to appoint DSB as its non-exclusive insurance agent for distribution of life-insurance products in Hong Kong; and
- (ii) DSB will agree to appoint DSLA as its exclusive supplier of life-insurance products in Hong Kong to its retail customers.

Exceptions from exclusivity

Subject to the terms and conditions of the Hong Kong Distribution Agreement, DSB shall not be required to provide DSLA with the exclusive rights in respect of a life-insurance product in Hong Kong where, among other things:

- (i) the offering of such life-insurance product on an exclusive basis is prohibited by applicable laws;

- (ii) any business plan drawn up by the working committee to be established by DSB and DSLA indicates that such life-insurance product is not intended to be offered in Hong Kong for all or any part of the term of such plan;
- (iii) DSLA fails to manufacture or provide such life-insurance product which it was to provide pursuant to a business plan drawn up by the working committee to be established by DSB and DSLA, in accordance with such plan;
- (iv) DSLA fails to supply new or modified life-insurance products within the prescribed time frames;
- (v) such life-insurance product is not competitive or conflicts with DSB's standards and practices and DSLA has declined or failed to cure the relevant deficiency;
- (vi) without the prior written consent of DSB, DSLA introduces a sales cap or suspends the offering of such life-insurance product;
- (vii) the exclusivity conflicts with contracts taken over following an acquisition by DSB;
- (viii) the terms of the Hong Kong Distribution Agreement are suspended as a consequence of any event beyond the reasonable control of the parties, and DSB enters into a contract relating to the marketing, promotion, distribution or sale of any life-insurance products of a third party which, when such suspension commences, conflicts with the obligations of DSB under the Hong Kong Distribution Agreement;
- (ix) payment of commission by DSLA to DSB under the Hong Kong Distribution Agreement is prohibited or restricted by applicable laws; or
- (x) DSLA declines or is unable to provide the customers of DSB's retail banking division with life-insurance products, or agrees to provide such life-insurance products but not on terms which are acceptable to such customers.

If DSB is not required to provide DSLA with exclusive rights in respect of a life-insurance product in any circumstances permitted under the Hong Kong Distribution Agreement, then DSB shall be entitled to enter into an arrangement to distribute an equivalent product of a third party insurance company in Hong Kong. If, thereafter, DSLA is able to offer for distribution through DSB a life-insurance product which matches such equivalent product, then, in certain circumstances, DSLA shall regain the exclusive rights in respect of such life-insurance product (subject to any contractual commitments with respect to any relevant equivalent product to which DSB is subject or any obligations ancillary thereto).

Consideration

Fixed Payments

DSL A shall make an upfront payment in the amount of HK\$1,972,000,000 and 10 equal deferred payments in the amount of HK\$52,800,000 each to DSB (collectively, the “**Fixed Payments**”) in consideration for the exclusivity provided by DBS in respect of the distribution of DSL A’s life-insurance products in Hong Kong. Such payments were determined after arms’ length negotiations between the parties to the Hong Kong Distribution Agreement, after taking into account the relevant payments in similar transactions, particularly in regard to the amount of payment per customer and the amount of payment in relation to the current commission income received.

The upfront payment will be satisfied by way of a deposit in the amount of HK\$250,000,000 made by the Purchaser by the date of the Share Sale Agreement and an additional payment to be made by the Purchaser through DSL A to DSB on the date of the Hong Kong Distribution Agreement. DSL A shall make each deferred payment on each anniversary of the Hong Kong Distribution Agreement, commencing on the first anniversary and ending on the tenth anniversary.

Variable Payments

DSL A shall pay monthly commission to DSB in respect of all insurance premiums received by DSL A in respect of life-insurance products which are sold through DSB’s distribution channels in Hong Kong. The commission rates were determined after arms’ length negotiation between the parties to the Hong Kong Distribution Agreement and the commission rates in respect of each life-insurance product shall be consistent with the rates payable from time to time in respect of similar products distributed by other Comparable Life Insurance Companies operating in Hong Kong in the same or similar distribution channels of DSB. The commission rates will initially be fixed and maintained until not later than 31 December 2017. Thereafter, the commission rates may be revised by DSL A and DSB from time to time.

DSL A shall also make a quarterly production, marketing and sales payment (together with the monthly commission, the “**Variable Payments**”) to DSB in respect of the insurance premiums received by DSL A in each quarter. Such payments were determined after arms’ length negotiation between the parties to the Hong Kong Distribution Agreement and are calculated as a percentage of the annualised first year commissions received by DSB during the relevant quarter. The initial rate will be 60 per cent. and will apply until not later than 31 December 2017. Thereafter, such rate may be revised by DSL A and DSB on an annual basis.

DSL A shall pay (i) the monthly commission to DSB or its nominee within 10 business days of the end of the calendar month in which the life-insurance product in respect of which the commission is payable was issued or renewed; and (ii) the production, marketing and sales payment due in respect of a quarter within 20 business days of the end of such quarter.

The proposed annual caps for the Variable Payments payable under the Hong Kong Distribution Agreement are HK\$45,000,000 for the year ending 31 December 2016 and HK\$210,000,000 for the year ending 31 December 2017 respectively.

THE MACAU DISTRIBUTION AGREEMENT

The major terms of the Macau Distribution Agreement are identical to those of the Hong Kong Distribution Agreement, except that: (i) the parties to it will be MLIC and BCM; (ii) it will relate to the distribution of life-insurance products in Macau; and (iii) the amounts of the Fixed Payments and the proposed annual caps for the Variable Payments are as follows:

Consideration

Upfront payment: HK\$97,000,000 (of which HK\$10,000,000 was paid by way of a deposit by the Purchaser by the date of the Share Sale Agreement)

Deferred payment: HK\$300,000 per annum for ten years

Proposed annual cap for the Variable Payments for the year ending 31 December 2016: HK\$3,000,000

Proposed annual cap for the Variable Payments for the year ending 31 December 2017: HK\$15,000,000

The review mechanisms for the commission rates in respect of the monthly commission and the rate in respect of the quarterly production, marketing and sales payment as described under the section entitled “*THE HONG KONG DISTRIBUTION AGREEMENT – Consideration*” will also apply to the Macau Distribution Agreement.

Please see the section headed “*Information on the Company and the Parties*” below for further information on the parties to the Macau Distribution Agreement.

INFORMATION ON THE COMPANY AND THE PARTIES

The Company

The Company is a company incorporated in Hong Kong, the ordinary shares of which are listed on the Stock Exchange. It is the holding company of DSB and BCM which conduct banking business.

The parties to the Hong Kong Distribution Agreement and the Macau Distribution Agreement

BCM is a company incorporated in Macau. It is an indirect wholly owned subsidiary of the Company. It is a licensed bank in Macau and is principally engaged in the provision of banking services in Macau.

DSB is a company incorporated in Hong Kong. It is a direct wholly owned subsidiary of the Company. It is a licensed bank in Hong Kong and is principally engaged in the provision of banking, financial and other related services in Hong Kong.

DSIS is a company incorporated in Hong Kong. It is a direct wholly owned subsidiary of DSFH as at the date of this announcement and will be a wholly owned subsidiary of the Purchaser upon completion of the Share Sale Agreement. It is the general agent of DSLA in Hong Kong.

DSLA is a company incorporated in Bermuda. It is a direct wholly owned subsidiary of DSFH as at the date of this announcement and will be a wholly owned subsidiary of the Purchaser upon completion of the Share Sale Agreement. It is an authorised life insurance company in Hong Kong and is principally engaged in the underwriting of life insurance business in Hong Kong.

MLIC is a company incorporated in Macau. It is an indirect non-wholly owned subsidiary of DSFH as at the date of this announcement and will be a wholly owned subsidiary of the Purchaser upon completion of the Share Sale Agreement. It is an authorized insurance company in Macau and is principally engaged in the underwriting of life insurance and the management of pension funds in Macau.

The Purchaser is a company incorporated in Hong Kong with limited liability. It is an investment holding company and a direct wholly owned subsidiary of Thai Hot Investment. Thai Hot Investment is based in the People's Republic of China and focuses on three major business areas: (a) insurance, banking and financial services; (b) healthcare; and (c) investment in a real estate development company.

REASONS FOR AND BENEFITS OF ENTERING INTO THE HONG KONG DISTRIBUTION AGREEMENT AND THE MACAU DISTRIBUTION AGREEMENT

By entering into the Hong Kong Distribution Agreement and the Macau Distribution Agreement, the Directors believe that the Company will continue to provide a range of life assurance products and services to its customers. The opportunity to form a long-term bancassurance partnership with DSLA and MLIC, under the ownership of a reputable business conglomerate in the People's Republic of China will also allow the Company to continue to develop its bancassurance business and its customers base.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Transaction under the Hong Kong Distribution Agreement and the Macau Distribution Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the Purchaser has (i) entered into the Share Sale Agreement with DSFH (a substantial shareholder of the Company); and (ii) proposed to enter into the Hong Kong Distribution Agreement with DSB through DSFH's currently wholly owned subsidiaries DSLA and DSIS, and the Macau Distribution Agreement with BCM through DSFH's currently non-wholly owned subsidiary MLIC, the Purchaser has been deemed by the Stock Exchange to be a connected person of the Company at the point in time of entering into, and proposing to enter into, these respective agreements, pursuant to Rules 14A.19 and 14A.20 of the Listing Rules.

As a result, the Distribution Agreements constitute, under Chapter 14A of the Listing Rules, connected transactions of the Company with respect to the Fixed Payments, and continuing connected transactions

with respect to the Variable Payments until not later than 31 December 2017. From not later than that date, the pricing of the Variable Payments is subject to periodic review by DSLA and DSB under the Hong Kong Distribution Agreement, and by MLIC and BCM under the Macau Distribution Agreement, as referred to in the sections entitled “*Consideration*” in the descriptions of the Distribution Agreements below.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Distribution Agreements are more than 5%, the Distribution Agreements are subject to the reporting, announcement, and in the case of the Variable Payments, the annual review requirements until 31 December 2017, as well as the circular (including independent financial advice) and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

SHAREHOLDERS’ APPROVAL AND INDEPENDENT BOARD COMMITTEE

The Company will convene the EGM to seek, among other things, the approval of the Independent Shareholders for the Transaction. DSFH will abstain from voting at the EGM in respect of each of the resolutions on the Transaction.

An independent board committee of the Company, comprising all the independent non-executive Directors, will be established to consider the terms of the Distribution Agreements and an independent financial adviser will be appointed by the Company to advise the independent board committee of the Company and the Independent Shareholders whether the terms of the Distribution Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CIRCULAR

A circular containing, among other things, (i) details of the Distribution Agreements and the Transaction; (ii) a letter of advice on the Transaction from the independent financial adviser of the Company to the independent board committee of the Company and the Independent Shareholders; (iii) the recommendation of the independent board committee of the Company to the Independent Shareholders; (iv) the notice convening the EGM; and (v) other information as required under the Listing Rules, is expected to be despatched to Shareholders on or before 8 August 2016 as additional time is required to prepare the information to be included into the circular.

AS COMPLETION OF THE SHARE SALE AGREEMENT IS CONDITIONAL ON THE SATISFACTION (OR, IF APPLICABLE, WAIVER) OF THE CONDITIONS, THE TRANSACTION MAY OR MAY NOT PROCEED. THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE DISTRIBUTION AGREEMENTS WILL BE IMPLEMENTED OR EXECUTED. SHAREHOLDERS AND POTENTIAL INVESTORS OF THE COMPANY SHOULD EXERCISE CAUTION WHEN DEALING IN THE SHARES.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“BCM”	Banco Comercial de Macau, S.A., a company incorporated in Macau and an indirect wholly owned subsidiary of the Company
“Board”	the board of directors of the Company
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Dah Sing Banking Group Limited, the holding company of DSB and a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the ordinary shares of which are listed on the Stock Exchange (Stock Code: 02356)
“Comparable Life Insurance Companies”	in respect of a life-insurance product, the top five life insurers who are licensed in Hong Kong or Macau (as applicable) by market share measured by annual premium income for that life-insurance product
“connected person(s)”	has the same meaning given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Distribution Agreements”	the Hong Kong Distribution Agreement and the Macau Distribution Agreement
“DSB”	Dah Sing Bank, Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and a direct wholly owned subsidiary of the Company
“DSFH”	Dah Sing Financial Holdings Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the ordinary shares of which are listed on the Stock Exchange (Stock Code: 00440)
“DSIS”	Dah Sing Insurance Services Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of DSFH as at the date of this announcement
“DSL A”	Dah Sing Life Assurance Company Limited, a company incorporated in Bermuda and a direct wholly owned subsidiary of DSFH as at the date of this announcement

“EGM”	an extraordinary general meeting of the Company to consider and, if thought fit, approve the Transaction
“Fixed Payments”	has the meaning given to it under the sections headed “ <i>THE HONG KONG DISTRIBUTION AGREEMENT – Consideration</i> ” and “ <i>THE MACAU DISTRIBUTION AGREEMENT – Consideration</i> ”
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Distribution Agreement”	the distribution agreement proposed to be entered into among DSLA, DSIS and DSB upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement
“Hong Kong Shares”	all of the issued shares in the share capital of each of DSLA and DSIS
“Independent Shareholders”	the Shareholders who are not prohibited under the Listing Rules from voting at the EGM to approve the Transaction
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange for the time being in force
“Macau”	Macau Special Administrative Region of the People’s Republic of China
“Macau Distribution Agreement”	the distribution agreement proposed to be entered into among MLIC and BCM upon completion of the sale of the Macau Shares under the Share Sale Agreement
“Macau Shares”	all of the issued shares in the share capital of MLIC
“MIC”	Macau Insurance Company Limited, a company incorporated in Macau and an indirect non-wholly owned subsidiary of DSFH
“MLIC”	Macau Life Insurance Company Limited, a company incorporated in Macau and an indirect non-wholly owned subsidiary of DSFH as at the date of this announcement
“Purchaser”	Everwin Enterprise (Hong Kong) Limited, a limited liability company incorporated in Hong Kong and a wholly owned subsidiary of Thai Hot Investment, or its permitted assignee under the Share Sale Agreement
“Share(s)”	ordinary shares in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Share Sale Agreement”	the share sale agreement dated 2 June 2016 entered into among DSFH, MIC and the Purchaser in relation to the sale of the Hong Kong Shares and the Macau Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Thai Hot Investment”	Fujian Thai Hot Investment Co., Ltd., a limited liability company incorporated in the People’s Republic of China and the parent company of the Purchaser
“Transaction”	the transactions contemplated under the Hong Kong Distribution Agreement and the Macau Distribution Agreement
“Variable Payments”	has the meaning given to it under the sections headed “ <i>THE HONG KONG DISTRIBUTION AGREEMENT – Consideration</i> ” and “ <i>THE MACAU DISTRIBUTION AGREEMENT – Consideration</i> ”
“%”	per cent.

By Order of the Board
DAH SING BANKING GROUP LIMITED
Doris Wai Nar Wong
Company Secretary

Hong Kong, 2 June 2016

As at the date of this announcement, the Board of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Vice Chairman), Harold Tsu-Hing Wong (Managing Director and Chief Executive) and Gary Pak-Ling Wang as Executive Directors; Mr. Shoji Hirai as Non-Executive Director; Messrs. Robert Tsai-To Sze, Andrew Kwan-Yuen Leung, Seng-Lee Chan and Yuen-Tin Ng as Independent Non-Executive Directors.