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

If you have sold or transferred all your shares in Dah Sing Financial Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or to the transferee or to the banker, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 440)

**POSSIBLE OFF-MARKET SHARE BUY-BACK CONSTITUTING
A CONNECTED TRANSACTION
AND
NOTICE OF AN EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to the Code IBC and the Independent Shareholders

ALTUS CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meanings as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 15 of this circular. A letter from the Code IBC is set out on page 16 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Code IBC and the Independent Shareholders, is set out on pages 17 to 35 of this circular.

A notice convening the EGM to be held at 20th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong on Friday, 15 March 2019 at 4:30 p.m. is set out on pages IV-1 to IV-2 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof if you so wish.

21 February 2019

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code;
“Announcement”	the announcement of the Company dated 23 January 2019 in relation to the Share Buy-back;
“Board”	the board of Directors;
“business day(s)”	a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which the Stock Exchange is generally open for transaction of business and banks are generally open for business in Hong Kong and Japan;
“Buy-back Deed”	the share Buy-back Deed, in the agreed form, set out in Appendix III to this circular;
“Buy-back Shares”	15,500,000 Shares, representing approximately 4.63% of the total number of issued Shares of the Company, legally and beneficially owned by the Seller and to be transferred to the Company for cancellation pursuant to the terms and conditions of the Buy-back Deed;
“Buy-backs Code”	the Code on Share Buy-backs issued by the SFC;
“Code IBC”	the independent committee of the Board comprising all the independent non-executive Directors namely, Mr. Robert Tsai-To Sze, Mr. Seiji Nakamura, Mr. Andrew Kwan-Yuen Leung, Mr. Paul Michael Kennedy and Mr. David Wai-Hung Tam and a non-executive Director, Mr. John Wai-Wai Chow, all of whom are not involved in the Share Buy-back, for the purpose of advising and giving recommendation to the Independent Shareholders in respect of the Share Buy-back and the Buy-back Deed;
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Company”	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: 440);

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“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Deed of Undertaking”	a deed of undertaking dated 23 January 2019 executed by the Seller and the Company in favour of the Company undertaking, subject to satisfaction of certain conditions, to enter into the Buy-back Deed;
“Directors”	the directors of the Company;
“DSBG”	Dah Sing Banking Group 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: 2356) and a direct non-wholly owned subsidiary of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened to consider and approve, amongst other things, the Buy-back Deed and the transactions contemplated thereunder;
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of its delegates;
“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 People’s Republic of China;
“Independent Financial Adviser”	Altus Capital Limited, a corporation licensed under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, the independent financial adviser appointed by the Company to advise the Code IBC and the Independent Shareholders in respect of the Buy-back Deed and the Share Buy-Back;
“Independent Shareholder(s)”	Shareholder(s) of the Company other than (i) the Seller; (ii) parties acting in concert with the Seller; and (iii) any other Shareholder(s) who has a material interest in the Buy-back Deed and/or the Share Buy-back which is different from the interests of all other Shareholders;

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“Last Trading Day”	23 January 2019, being the last trading day on which the Shares were traded on the Stock Exchange prior to the issue and publication of the Announcement;
“Latest Practicable Date”	18 February 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	three months from the date the Buy-back Deed is entered into or such other date as may be agreed in writing between the Company and the Seller;
“New DSBG Option Scheme”	the new share option scheme adopted by DSBG on 27 May 2014;
“New DSFH Option Scheme”	the new share option scheme adopted by the Company on 27 May 2015;
“Old DSBG Option Scheme”	the share option scheme adopted by DSBG on 12 June 2004 and terminated on 27 May 2014;
“Old DSFH Option Scheme”	the share option scheme adopted by the Company on 28 April 2005 and expired on 28 April 2015;
“Option Holder(s)”	holder(s) of options which have been granted under any share option schemes of the Company;
“Registrar”	Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong;
“Relevant Period”	the period commencing 6 months preceding the date of the Announcement and up to and including the Latest Practicable Date;
“Seller” or “MUFG Bank”	MUFG Bank, Ltd., the core commercial banking subsidiary of Mitsubishi UFJ Financial Group Inc., which is one of the world’s leading financial groups listed on the Tokyo, Nagoya, and the New York Stock Exchanges;
“SFC”	Securities and Futures Commission;

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“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
“Share(s)”	ordinary share(s) in the share capital of the Company;
“Share Buy-back”	the possible purchase of the Buy-back Shares by the Company for cancellation pursuant to the terms and conditions of the Buy-back Deed, which constitutes an off-market share buy-back by the Company pursuant to the Buy-backs Code;
“Shareholder(s)”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC; and
“%”	per cent.

LETTER FROM THE BOARD



大新金融集團有限公司
DAH SING FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 440)

Executive Directors:

David Shou-Yeh Wong (*Chairman*)
Hon-Hing Wong (Derek Wong) (*Managing Director and Chief Executive*)
Gary Pak-Ling Wang (*Deputy Chief Executive and
Group Chief Financial and Operating Officer*)

Registered Office:

36th Floor
Everbright Centre
108 Gloucester Road
Hong Kong

Non-Executive Directors:

Eiichi Yoshikawa (Takayoshi Futae as alternate)
Kenichi Yamato
John Wai-Wai Chow

Independent Non-Executive Directors:

Robert Tsai-To Sze
Seiji Nakamura
Andrew Kwan-Yuen Leung
Paul Michael Kennedy
David Wai-Hung Tam

21 February 2019

To the Shareholders, and for information only, Option Holders

Dear Sir/Madam,

**(1) POSSIBLE OFF-MARKET SHARE BUY-BACK CONSTITUTING
A CONNECTED TRANSACTION
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement in relation to the Deed of Undertaking, Share Buy-back and Buy-back Deed.

On 23 January 2019, the Seller and the Company executed the Deed of Undertaking in favour of the Company whereby the Seller conditionally undertook to execute the Buy-back Deed on 28 March 2019 or such other date as may be requested by the Company. For further details of the Deed of Undertaking, please refer to the section headed “Deed of Undertaking” below.

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders with further information in respect of resolutions regarding the terms of the Buy-back Deed and details of the Share Buy-back to be proposed at the EGM to enable the Shareholders to make their informed decisions as to how to vote at the EGM.

2. DEED OF UNDERTAKING

Date

23 January 2019

Parties

MUFG Bank and the Company

Principal Terms

The Deed of Undertaking shall take effect commencing on 23 January 2019 and shall terminate upon the earlier of: (i) 30 April 2019; and (ii) such other date as may be agreed between the parties.

Under the Deed of Undertaking, MUFG Bank irrevocably undertakes to the Company that it shall, subject to the passing of the requisite resolution by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company approving the Buy-back Deed, duly execute the Buy-back Deed on 28 March 2019 or such other date as may be requested by the Company.

3. BUY-BACK DEED

The Company is a company incorporated in Hong Kong. Under Section 240 of the Companies Ordinance, a listed company may not enter into a contingent purchase contract relating to its shares prior to obtaining the required special resolution of its shareholders. Although the form of the draft Buy-back Deed has been negotiated and finalised between the Company and the Seller, the Company will not execute the Buy-back Deed unless and until it has obtained approval by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM. It is the Company's intention to enter into the Buy-back Deed with the Seller if and when such resolution is passed.

Parties

The Company, as the purchaser, and MUFG Bank, as the seller.

LETTER FROM THE BOARD

Number of Buy-back Shares

The number of Buy-back Shares is 15,500,000, representing approximately 4.63% of the total number of issued Shares of the Company, and representing approximately 30.47% of the Shares currently held by the Seller in the Company.

The Buy-back Shares shall be bought back by the Company free from any encumbrance.

Consideration

The buy-back price for each Buy-back Share is HK\$38.17, representing:

- (a) a discount of approximately 11.80% to the closing price of HK\$43.30 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 1.50% to the average closing price of HK\$38.75 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a discount of approximately 1.10% to the average closing price of HK\$38.60 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 0.65% to the average closing price of HK\$38.42 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 20 consecutive trading days immediately prior to and including the Last Trading Day;
- (e) a discount of approximately 2.09% to the average closing price of HK\$38.98 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day;
- (f) a discount of approximately 48.91% to the unaudited consolidated net asset value per Share attributable to Shareholders as at 30 June 2018 of approximately HK\$74.71 per Share; and
- (g) a discount of approximately 48.97% to the audited consolidated net asset value per Share attributable to Shareholders as at 31 December 2017 of approximately HK\$74.80 per Share.

LETTER FROM THE BOARD

The total consideration for the Share Buy-back shall not exceed HK\$591,635,000. The consideration shall be adjusted by the amount of any dividend or distribution with an ex-entitlement date on or after date of the Announcement but before completion of the Share Buy-back (by deducting from the purchase price an amount corresponding to the distribution paid, payable, declared or made in respect of the Buy-back Shares).

The consideration for the Share Buy-back was determined following commercial and arms' length negotiations between the parties taking into account the prevailing market conditions. The consideration will be settled in cash financed by the Group's internal resources. The Company has sufficient funds available to effect the Share Buy-back and is satisfied on reasonable grounds that the Company is, and immediately following completion of the Share Buy-back, able to pay its debts as they fall due in the ordinary course of business.

Other than the total consideration for the Share Buy-back described above, no other consideration or benefits in any form has been or will be paid by the Company to the Seller and/or its connected parties in connection with the Share Buy-back.

The original purchase cost of the Buy-back Shares to the Seller was HK\$21.68 per Share.

Conditions

The Company will enter into the Buy-back Deed only if it is approved by at least three-fourths of the votes cast on a poll by the Independent Shareholders in attendance in person or by proxy at a general meeting of the Company duly convened and held to consider the Buy-back Deed and the possible Share Buy-back thereunder in accordance with the Buy-backs Code and the Companies Ordinance.

The completion of the Share Buy-back is subject to and conditional upon the following being satisfied or waived on or before completion:

- (a) the Executive approving the purchase of the Buy-back Shares by the Company contemplated under the Buy-back Deed pursuant to the Buy-backs Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied; and
- (b) the warranties as set out in the Buy-back Deed remaining true and accurate in all material respects.

In the event that the above conditions shall not have been completed or waived on or before the Long Stop Date, either party may terminate the Buy-back Deed by serving a written notice on the other party, whereupon the parties shall not be bound to proceed with the proposed Share Buy-back and the Buy-back Deed shall cease to be of any effect (save for certain specific clauses).

LETTER FROM THE BOARD

Completion

The completion of the Share Buy-back shall take place on (a) 29 March 2019, (b) to the extent the conditions precedent are not satisfied on 29 March 2019, the fifth business day following the day on which the conditions to the Share Buy-back are satisfied or (c) such other day as the Company and the Seller may agree, but in any event no later than the Long Stop Date.

As at the Latest Practicable Date, the Seller held 50,870,777 Shares in issue, representing approximately 15.18% of the total number of issued Shares of the Company. Upon completion of the Share Buy-back, the Buy-back Shares will be transferred to the Company and cancelled. The percentage interest of all other Shareholders in the issued Shares of the Company will be proportionally increased following the cancellation of the Buy-back Shares and the resulting reduction in the number of issued Shares.

4. EFFECTS ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company as at the Latest Practicable Date and immediately after completion of the Share Buy-back ^{Note 1}:

	As at the Latest Practicable Date		Immediately after completion of the Share Buy-back	
	Number of Shares	% of total no. of issued Shares	Number of Shares	% of total no. of issued Shares
David Shou-Yeh Wong ^{Note 2}	137,285,682	40.97%	137,285,682	42.96%
MUFG Bank	50,870,777	15.18%	35,370,777	11.07%
John Wai-Wai Chow ^{Note 3}	1,223,231	0.37%	1,223,231	0.38%
Public	<u>145,695,410</u>	<u>43.48%</u>	<u>145,695,410</u>	<u>45.59%</u>
Total	<u>335,075,100</u>	<u>100%</u>	<u>319,575,100</u>	<u>100%</u>

The percentage figures above have been rounded up to the nearest second decimal place.

Notes:

1. Assuming no change in the number of the total issued Shares and of the shareholding of the abovementioned shareholders from the Latest Practicable Date to the completion of the Share Buy-back.
2. The Shares in which Mr. David Shou-Yeh Wong is interested include Shares held by a corporation in which Mr. David Shou-Yeh Wong controls one third or more of the voting powers at general meetings and Shares held by companies under a family trust. HSBC International Trustee Limited is the trustee and Mr. David Shou-Yeh Wong is the settlor. For further details of the breakdowns, please refer to the public records of the statutory disclosure of interest notices and the relevant disclosures in the 2018 interim report of the Company in respect of such interests.

LETTER FROM THE BOARD

3. Mr. John Wai-Wai Chow is a non-executive Director of the Company.

Save as disclosed above, no other Directors and any persons acting in concert with them are interested in, or have borrowed or lent, any Shares.

Public Float

The Company intends to maintain its listing on the Stock Exchange and to continue to meet the public float requirements under Rule 8.08 of the Listing Rules. It is expected that the Company will meet the said public float requirement after the completion of the Share Buy-back.

5. REASONS FOR AND BENEFITS OF THE SHARE BUY-BACK

When considering the Share Buy-back, the Company has taken into consideration that the Share Buy-back:

- (a) is a good opportunity for the Company to enhance its earnings per Share and rate of return on capital; and
- (b) will result in an enhancement in the consolidated net asset value per Share attributable to Shareholders of approximately 2.4% based on the unaudited consolidated balance sheet of the Group as at 30 June 2018, creating greater shareholder value, which is in the interests of all Shareholders.

In light of the foregoing, the Directors (other than members of the Code IBC and excluding Mr. Eiichi Yoshikawa and Mr. Kenichi Yamato who are considered to have a material interest in the Share Buy-back, Buy-back Deed and the transactions contemplated thereunder) believe that the terms and conditions of the Buy-back Deed are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

The view of the Code IBC, after taking into account the principal factors and reasons set out above and the advice from the Independent Financial Adviser of which a letter is set out on pages 17 to 35 of this circular, is set out on page 16 of this circular.

6. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

Net assets per Share attributable to the Shareholders

Assuming that the Share Buy-back had taken place on 30 June 2018, the Group's unaudited net assets per Share attributable to the Shareholders as at that date would have increased by approximately 2.4% from approximately HK\$74.71 per Share to approximately HK\$76.48 per Share.

LETTER FROM THE BOARD

Basic earnings per Share

Assuming that the Share Buy-back had taken place on 1 January 2017 and the Buy-back Shares have been bought back in full and cancelled, the Group's basic earnings per Share:

- (a) from continuing operations for the year ended 31 December 2017 would have increased by approximately 4.89% from approximately HK\$4.70 per Share to approximately HK\$4.93 per Share; and
- (b) from discontinuing operations for the year ended 31 December 2017 would have increased by approximately 4.90% from approximately HK\$11.43 per Share to approximately HK\$11.99 per Share.

Total liabilities

The consideration of the Share Buy-back will be settled in cash and as such the Share Buy-back will not have an impact on the liabilities of the Group.

Working capital

As the consideration of the Share Buy-back will be settled in cash, there will be an impact on the working capital or gearing position of the Group in the amount of the cash consideration. As at:

- (a) 31 December 2017, the cash payment for consideration represents approximately 3.2% of the cash and balances with banks of the Group; and
- (b) 30 June 2018, the cash payment for consideration represents approximately 4.2% of the cash and balances with banks of the Group.

The Company considers that such impact will not have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

Based on the above, the Company considers that the Share Buy-back will have no material adverse effect on the Group's net assets per Share, basic earnings per Share, total liabilities or working capital.

7. LISTING RULES AND BUY-BACKS CODE IMPLICATIONS

Listing Rules implications

As at the Latest Practicable Date, the Seller held 50,870,777 Shares, representing approximately 15.18% of the total number of issued Shares of the Company, and is a substantial shareholder of the Company. As a substantial shareholder of the Company, the Seller is a connected person of the Company pursuant to the Listing Rules.

LETTER FROM THE BOARD

Accordingly, the Share Buy-back constitutes a connected transaction of the Company subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. Since all applicable percentage ratios (having the meanings ascribed thereto under Listing Rules) in respect of the Share Buy-back are more than 0.1% but less than 5%, the Share Buy-back is subject to reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, no Director has a material interest in the Deed of Undertaking, Share Buy-back, Buy-back Deed and the transactions contemplated thereunder, save that (i) Mr. Eiichi Yoshikawa is a Member of the Board of Directors, Deputy President, Chief Executive of Global Commercial Banking Business Unit and Chief Operating Officer – International (COO-I) of the Seller and (ii) Mr. Kenichi Yamato is the Executive Officer, Regional Head for Hong Kong and General Manager of the Hong Kong Branch of the Seller. Accordingly, Mr. Eiichi Yoshikawa and Mr. Kenichi Yamato are considered to have a material interest in the Deed of Undertaking, Share Buy-back, Buy-back Deed and the transactions contemplated thereunder, and had abstained from voting at the Board meeting approving the Deed of Undertaking, the Share Buy-back, Buy-back Deed and the transactions contemplated thereunder.

Buy-backs Code implications

The Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, amongst other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company.

Completion of the Share Buy-back is subject to the condition that the Share Buy-back has been approved by the Executive. Therefore, the Company will not proceed with the Share Buy-back unless the Executive approves the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. However, there is no assurance that such approval will be granted or that all other conditions precedent to the Share Buy-back will be fulfilled.

As required by the Buy-backs Code, as at the Latest Practicable Date, the Seller (which beneficially held 50,870,777 Shares, representing approximately 15.18% of the total number of issued Shares of the Company) and the parties acting in concert with it will abstain from voting on the resolutions to be proposed at the EGM for approving the Buy-back Deed and the possible Share Buy-back.

As at the Latest Practicable Date, other than the 15.18% interest in the total number of issued Shares of the Company owned by the Seller and the parties acting in concert with it (including the Buy-back Shares subject to the Share Buy-back contemplated under the Buy-back Deed as disclosed in this circular), neither the Seller nor any party acting in concert with it:

LETTER FROM THE BOARD

- (a) holds, owns, controls or directs any Shares, convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) has secured an irrevocable commitment to vote in favour of or against the Buy-back Deed and/or the Share Buy-back;
- (c) holds outstanding warrants, options or securities convertible into Shares or derivatives in respect of the Shares;
- (d) has any arrangement (whether by way of option, indemnity or otherwise) or contracts in relation to the Shares or shares of the Seller which might be material to the Buy-back Deed and/or the Share Buy-back;
- (e) has any agreement or arrangement to which the Seller and parties acting in concert with it is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Buy-back Deed and/or the Share Buy-back; or
- (f) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Neither the Seller nor any party acting in concert with it has acquired or disposed of any voting rights of the Company nor has dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of the securities in the Company in the six-month period prior to and including 23 January 2019, being the date of the Announcement and ending with the Latest Practicable Date.

The Share Buy-back will not result in any change of control, as defined under the Takeovers Code.

8. GENERAL

The principal business activity of the Company is investment holding. The principal business activities of its major subsidiaries are banking, insurance, financial and other related services in Hong Kong, Macau, and the People's Republic of China.

For the two years ended 31 December 2016 and 2017:

- (a) the audited consolidated net profit of the Group before taxation and before excluding non-controlling interests (from continuing and discontinued operations) were approximately HK\$2,744 million and HK\$6,382 million respectively and the audited consolidated net profit of the Group after taxation and after excluding non-controlling interests (from continuing and discontinued operations) were approximately HK\$1,892 million and HK\$5,405 million respectively; and

LETTER FROM THE BOARD

- (b) the audited consolidated net profit before taxation and before excluding non-controlling interest (from continuing and discontinued operations) attributable to the Buy-back Shares were approximately HK\$127 million and HK\$295 million respectively and the audited consolidated net profit after taxation and after excluding non-controlling interests (from continuing and discontinued operations) attributable to the Buy-back Shares were approximately HK\$88 million and HK\$250 million respectively.

The Seller held 50,870,777 Shares, representing approximately 15.18% of the existing total number of issued Shares of the Company as at the Latest Practicable Date and is principally engaged in retail, corporate and investment banking. The Company has been informed by the Seller that its decision to dispose of approximately 4.63% shareholding by way of the Share Buy-back resulted from a periodical review of its existing investments, including its shareholding in the Company, taking into account its strategy to optimize capital management as a result of evolving international financial regulations and changes in the business environment and that the Seller will continue to carry out such reviews from time to time, whilst no determination has been made in relation to its remaining shareholding at the present time.

The Code IBC (comprising all the independent non-executive Directors, namely, Mr. Robert Tsai-To Sze, Mr. Seiji Nakamura, Mr. Andrew Kwan-Yuen Leung, Mr. Paul Michael Kennedy and Mr. David Wai-Hung Tam, and a non-executive Director, Mr. John Wai-Wai Chow, all of whom do not have any direct or indirect interest in the Share Buy-back) has been formed in accordance with the Buy-backs Code shall advise the Independent Shareholders on the Share Buy-back and the Buy-back Deed. In this connection, the Independent Financial Adviser has been appointed to advise the Code IBC and the Independent Shareholders as to whether the Share Buy-back is fair and reasonable and make recommendation on voting. Such appointment has been approved by the Code IBC formed to advise the Independent Shareholders on such matter in accordance with Rule 2 of the Takeovers Code.

9. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 12 March 2019 to Friday, 15 March 2019, both days inclusive, on which no transfer of Shares will be registered. Shareholders are reminded that, in order to qualify for attendance of the EGM, they must lodge completed transfer forms together with the certificates for the relevant Shares with the Registrar not later than 4:30 p.m. on Monday, 11 March 2019.

LETTER FROM THE BOARD

10. EGM

The notice of the EGM of the Company is set out on pages IV-1 to IV-2 of this circular. The Seller (which beneficially held 50,870,777 Shares representing approximately 15.18% of the existing total number of issued Shares of the Company as of the Latest Practicable Date) and its concert parties will abstain from voting on the resolution to be proposed at the EGM for approving the Buy-back Deed and the Share Buy-back.

11. VOTING BY WAY OF POLL

All votes at the EGM will be taken by poll pursuant to Rule 2 of the Buy-backs Code.

12. RECOMMENDATIONS

The Directors (excluding the non-executive Director and the independent non-executive Directors who are members of the Code IBC of which the views are set out in the letter from the Code IBC on page 16 of this circular and excluding Mr. Eiichi Yoshikawa and Mr. Kenichi Yamato who are considered to have a material interest in the Share Buy-back, Buy-back Deed and the transactions contemplated thereunder) are of the opinion that the terms of the Buy-back Deed and the Share Buy-back are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the relevant resolution to be proposed at the EGM.

Having taken into account the advice of the Independent Financial Adviser set out on pages 17 to 35 of this circular, the Code IBC's recommendation to the Independent Shareholders is set out in the Letter from the Code IBC on page 16 of this circular.

Your attention is drawn to the letter from the Code IBC as set out on page 16 of this circular and the letter from the Independent Financial Adviser as set out on pages 17 to 35 of this circular which contain their recommendations to the Independent Shareholders regarding the Buy-back Deed and the Share Buy-back. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the relevant resolution to be proposed at the EGM.

13. FURTHER INFORMATION

Your attention is also drawn to the financial information of the Group as set out in Appendix I to this circular, the other general information as set out in Appendix II to this circular, the form of Buy-back Deed as set out in Appendix III to this circular and the notice of the EGM as set out in Appendix IV to this circular.

Yours faithfully
For and on behalf of the Board of
Dah Sing Financial Holdings Limited
David Shou-Yeh Wong
Chairman



大新金融集團有限公司
DAH SING FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 440)

21 February 2019

To the Independent Shareholders

Dear Sir or Madam,

**POSSIBLE OFF-MARKET SHARE BUY-BACK CONSTITUTING
A CONNECTED TRANSACTION**

We have been appointed to form the Code IBC to consider and advise the Independent Shareholders as to our opinion on the terms of the Buy-back Deed and the Share Buy-back in accordance with Rule 2 of the Buy-backs Code, the details of which are set out in the circular issued by the Company to the Shareholders dated 21 February 2019 (the “**Circular**”), of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

We wish to draw the attention of the Independent Shareholders to the letter from the Board and the letter of advice from the Independent Financial Adviser.

Having taken into account the principal factors and reasons considered by the Independent Financial Adviser, its conclusion and advice, we concur with the view of Independent Financial Adviser and consider that the terms of the Share Buy-back are fair and reasonable and in the interests of the Independent Shareholders.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Buy-back Deed and the Share Buy-back.

Yours faithfully,
Code IBC

Dah Sing Financial Holdings Limited

Non-Executive Director
John Wai-Wai Chow

Independent Non-Executive Directors

Robert Tsai-To Sze

Seiji Nakamura

Andrew Kwan-Yuen Leung

Paul Michael Kennedy

David Wai-Hung Tam

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Code IBC and the Independent Shareholders in relation to the Share Buy-back, which has been prepared for the purpose of incorporation in this circular.

ALTUS .

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

21 February 2019

To the Code IBC and the Independent Shareholders
Dah Sing Financial Holdings Limited
36th Floor, Everbright Centre
108 Gloucester Road
Hong Kong

Dear Sirs,

POSSIBLE OFF-MARKET SHARE BUY-BACK CONSTITUTING A CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Code IBC and the Independent Shareholders in respect of the Share Buy-back. Details are set out in the “Letter from the Board” contained in the circular dated 21 February 2019 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

On 23 January 2019, MUFG Bank and the Company executed the Deed of Undertaking in favour of the Company whereby MUFG Bank conditionally undertook to execute the Buy-back Deed on 28 March 2019 or such other date as may be requested by the Company (terms of which have been agreed) which involves 15,500,000 Buy-back Shares, representing approximately 4.63% of the total number of issued Shares of the Company, currently held by MUFG Bank.

Although the form of the draft Buy-back Deed has been negotiated and finalised between the Company and MUFG Bank, the Company will not execute the Buy-back Deed unless and until it has obtained approval by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM. It is the Company’s intention to enter into the Buy-back Deed with MUFG Bank if and when such resolution is passed.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon completion of the Share Buy-back, the Buy-back Shares will be transferred to the Company and cancelled. The percentage interest of all other Shareholders in the issued Shares of the Company will be proportionally increased following the cancellation of the Buy-back Shares and the resulting reduction in the number of issued Shares of the Company.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, MUFG Bank held 50,870,777 Shares, representing approximately 15.18% of the total number of issued Shares of the Company, and is a substantial shareholder of the Company. As a substantial shareholder of the Company, MUFG Bank is a connected person of the Company pursuant to the Listing Rules. Accordingly, the Share Buy-back constitutes a connected transaction of the Company subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. Since all applicable percentage ratios (having the meanings ascribed thereto under the Listing Rules) in respect of the proposed Share Buy-back are more than 0.1% but less than 5%, the Share Buy-back is subject to reporting and announcement requirements but exempt from the independent shareholder's approval requirement under Chapter 14A of the Listing Rules.

BUY-BACKS CODE IMPLICATION

The Share Buy-back constitutes an off-market share buy-back by the Company under the Buy-backs Code. The Company has made an application to the Executive for approval of the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. The Executive's approval, if granted, will normally be conditional upon, amongst other things, approval of the Share Buy-back by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company.

Completion of the Share Buy-back is subject to the condition that the Share Buy-back has been approved by the Executive. Therefore, the Company will not proceed with the Share Buy-back unless the Executive approves the Share Buy-back pursuant to Rule 2 of the Buy-backs Code. There is no assurance that such approval will be granted or that all other conditions precedent to the Share Buy-back will be fulfilled.

As required by the Buy-backs Code, as at the Latest Practicable Date, MUFG Bank (which beneficially holds 50,870,777 Shares representing approximately 15.18% of the total number of issued Shares of the Company) and the parties acting in concert with it will abstain from voting on the resolution to be proposed at the EGM for approving the Buy-back Deed and the possible Share Buy-back.

THE CODE IBC

The Code IBC (comprising all the independent non-executive Directors, namely, Mr. Robert Tsai-To Sze, Mr. Seiji Nakamura, Mr. Andrew Kwan-Yuen Leung, Mr. Paul Michael Kennedy and Mr. David Wai-Hung Tam, and a non-executive Director, Mr. John Wai-Wai Chow, all of whom do not have any direct or indirect interest in the Share Buy-back) has been formed in accordance with the Buy-backs Code to advise the Independent Shareholders on the Share Buy-back and the Buy-back Deed as to (i) whether the terms of the Share Buy-back are fair

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

and reasonable and in the interests of the Independent Shareholders; and (ii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM to approve Buy-back Deed and the Share Buy-back.

INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser to the Code IBC, our role is to give an independent opinion to the Code IBC and the Independent Shareholders as to (i) whether the terms of the Share Buy-back are fair and reasonable and in the interests of the Independent Shareholders; and (ii) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM to approve Buy-back Deed and the possible Share Buy-back.

BASIS OF OUR ADVICE

In formulating our opinion to the Code IBC and the Independent Shareholders, we have reviewed, amongst others, (i) the Deed of Undertaking; (ii) the Buy-back Deed; (iii) the interim reports of the Company for the six months ended 30 June 2017 and 2018 (“**2017 Interim Report**” and “**2018 Interim Report**”); (iv) the annual reports of the Company for the year ended 31 December 2016 and 2017 (“**2016 Annual Report**” and “**2017 Annual Report**” respectively) and (v) other information as set out in the Circular.

We have considered the Directors’ confirmation that there is no material changes in the financial or trading position or outlook of the Group since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made) up to and including the Latest Practicable Date.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the date of the Circular.

The Circular includes particulars given in compliance with the Buy-backs Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm that having made all reasonable inquiries, to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

The Company will notify the Independent Shareholders of any material changes to the information contained or referred to in the Circular as soon as possible in accordance with Rule 9.1 of the Takeovers Code after the Latest Practicable Date and after the despatch of the Circular. Independent Shareholders will also be informed as soon as practicable when there are any material changes to the information contained or referred to herein as well as changes to our opinion after the Latest Practicable Date and up to and including the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have no reason to believe that any of the statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading. We have assumed that all the statements, information, opinions and representations for matters relating to the Group contained or referred to in the Circular and/or provided to us by the Company and the Management have been reasonably made after due and careful enquiry. We have relied on such statements, information, opinions and representations and have not conducted any independent investigation into the business, financial conditions and affairs or the future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our recommendation, we have taken into consideration the following principal factors and reasons set out below:

1. Information of the Group and MUFG Bank

1.1. Principal business of the Group

As stated in the “Letter from the Board” in the Circular, the principal business activities of the Group’s major subsidiaries are banking, insurance, financial and other related services in Hong Kong, Macau and the People’s Republic of China (the “**PRC**”).

The following table summarises the segments assets and profit contribution of the Group as at/for the year ended 31 December 2017 as set out in the 2017 Annual Report.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Operating segments	Description of segment	Segment assets		Segment profit from continuing operations	
		HK\$'000	%	HK\$'000	%
Personal banking business	Acceptance of deposits from individual customers and the extension of residential mortgage lending, personal loans, overdraft, vehicle financing and credit card services, and the provision of insurance sales and investment services	47,248,470	20.9	677,765	31.8
Commercial banking business	Acceptance of deposits from and the advance of loans and working capital finance to commercial, industrial and institutional customers, and the provision of trade financing	58,264,178	25.8	708,578	33.3
Treasury activities	provision of foreign exchange services and centralised cash management for deposit taking and lending, interest rate risk management, management of investment in securities and the overall funding of the Group	76,464,789	33.9	395,240	18.5
Overseas banking business	Personal banking, commercial banking business activities provided by overseas subsidiaries in Macau and PRC, and the Group's interest in a commercial bank in PRC	36,485,129	16.2	28,110	1.3
Insurance business	the Group's insurance and pension fund management business through the Group's wholly-owned subsidiaries in Hong Kong and 96%-owned subsidiaries in Macau, the Group offers a variety of insurance products and services	4,240,639	1.9	30,085	1.4
Others	Results of operations not directly identified under other reportable segments, corporate investments and debt funding (including subordinated notes)	8,955,102	4.0	291,804	13.7
Inter-segment		(6,120,633)	(2.7)	—	—
Total		<u>225,537,674</u>	100.0	<u>2,131,582</u>	100.0

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the segment assets and segment profit from continuing operations from the Group's banking-related business (i.e. personal banking business, commercial banking business, treasury activities and overseas banking business) constituted a significant percentage of the Group's total assets and total profit.

As set out in the Chairman's statement in the 2017 Annual Report, the operating performance of the Group's banking business had improved mainly attributable to the improved profitability in most core units in the banking business. Net interest income and fee and commission income had grown as a result of asset growth and improvement in wealth management business respectively. In addition, in the year ended 31 December 2017, the Group had disposed its life assurance businesses in Hong Kong and Macau during the course of the year and realised a significant gain on disposal which will be elaborated in "1.2 Historical financial information of the Group" below.

1.2. Historical financial information of the Group

Set out below is a table summarising certain key financial information extracted from the 2017 Annual Report and the 2018 Interim Report respectively.

Extracted from consolidated income statement:

	For the six months ended 30 June		For the year ended 31 December	
	2018 HK'000 (unaudited)	2017 HK'000 (unaudited)	2017 HK'000 (audited)	2016 HK'000 (audited)
Operating income from continuing operations	3,061,564	2,634,049	5,498,973	5,006,421
Operating profit before gains and losses on certain investments and fixed assets	1,598,132	1,096,066	2,416,238	1,810,746
Profit for the year/period from continuing operations	1,380,904	1,326,730	2,131,582	2,192,288
Profit for the year/period from discontinued operations	–	3,849,872	3,831,310	246,810
Profit for the year/period	1,380,904	5,176,602	5,962,892	2,439,098

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Extracted from consolidated statement of financial position:

	As at 30 June 2018	As at 31 December	
	<i>HK'000</i>	2017	2016
	<i>(unaudited)</i>	<i>HK'000</i>	<i>HK'000</i>
		<i>(audited)</i>	<i>(audited)</i>
<i>Cash and balances with banks</i>	14,356,190	18,815,031	15,083,632
<i>Placements with banks maturing between one and twelve months</i>	10,179,191	13,614,678	8,592,164
Total assets	223,828,310	225,537,674	223,243,010
Total liabilities	192,412,277	194,101,271	195,555,442
Equity attributable to the Company's shareholders	25,033,828	25,062,082	21,816,782

Six months ended 30 June 2018 compared to the six months ended 30 June 2017

During the six months ended 30 June 2018, the Group had recorded a growth in operating profit before gains and losses on certain investments and fixed assets from continuing operations (“**operating profit after credit impairment losses**”) from approximately HK\$1,096 million for the six months ended 30 June 2017 to approximately HK\$1,598 million for the six months ended 30 June 2018, representing a growth of approximately 45.8% mainly attributable to (i) the growth in the Group’s net interest income of approximately 13.2% as a result of an improved net interest margin and loan growth of approximately 4.4%; (ii) the growth in fee and commission income as a result of stronger wealth management revenues, bancassurance fee, and fees from commercial banking operation; and (iii) improvement in foreign exchange related income in particular in the Group’s retail banking business.

Despite the significant growth of operating profit before gains and losses on certain investments and fixed assets from continuing operations, the Group’s profit for the period from continuing operations had only slightly increased by approximately 4.1% mainly caused by an impairment provision of approximately HK\$403 million against the Group’s investment in Bank of Chongqing following a periodic review of the value in use of such investment.

The Group reported profit from discontinued operations (representing its life insurance businesses in Hong Kong and Macau) of approximately HK\$3,850 million during the six months ended 30 June 2017. If such profit is excluded, the profit for the six months ended 30 June 2017 would have been approximately HK\$1,327 million. The Group’s profit for the six months ended 30 June 2018 of approximately HK\$1,381 million represents an increase of approximately 4.1% from HK\$1,327 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The year ended 31 December 2017 compared to the year ended 31 December 2016

During the year ended 31 December 2017, the Group's operating profit after credit impairment losses had increased from approximately HK\$1,811 million for the year ended 31 December 2016 to approximately HK\$2,416 million for the year ended 31 December 2017, representing a growth of approximately 33.4% mainly attributable to (i) the growth in the Group's net interest income of approximately 7.6% as a result of loan growth; (ii) the growth in net fee and commission income of approximately 26.1%; and (iii) a significant decrease in credit impairment charges of approximately 52.0% as a result of a better credit quality due to the improved economy in 2017.

Meanwhile the Group had recorded an impairment loss in relation to the write-down of the investment in Bank of Chongqing of approximately HK\$815 million as a result of a lower value in use despite the increase of approximately 4.3% in the share of profit from Bank of Chongqing. The abovementioned write-down resulted in a slight decrease in the Group's profit for the year from continuing operations from approximately HK\$2,192 million for the year ended 31 December 2016 to approximately HK\$2,131 million for the year ended 31 December 2017, representing a decrease of approximately 2.8%.

In addition, the Group had completed the disposal of its life insurance businesses in Hong Kong and Macau during 2017, which resulted in a gain on disposal of approximately HK\$3,565 million. As a result, the Group's profit for the year had increased from approximately HK\$2,439 million for the year ended 31 December 2016 to approximately HK\$5,963 million for the year ended 31 December 2017, representing an increase of approximately 1.4 times.

In summary, the Group's overall business performance has been stable, where its banking-related business had performed satisfactorily up to 30 June 2018. We also note that there have been no material changes in the financial or trading position or outlook of the Group since then up to and including the Latest Practicable Date. Hence, there has been no fundamental change to the Group's banking business. Meanwhile, after realising a gain on the disposal of its life insurance businesses in 2017, the Group's financial position has strengthened, giving it adequate resources to take advantage of opportunities to enhance value to the Shareholders, such as the Share Buy-back.

1.3. Information of MUFG Bank

As set out on its website¹, MUFG Bank is one of the world's largest and most diversified financial groups principally engaged in commercial banking, trust banking, securities, credit cards, consumer finance, asset management, leasing and other financial services globally. As at the Latest Practicable Date, MUFG Bank holds 50,870,777 Shares, representing 15.18% of the existing total number of issued Shares of the Company. As set out in the "Letter from the Board" in the Circular, MUFG Bank had informed the Company of its decision to dispose of approximately 4.63% shareholding resulted from a periodical review of its existing investments, including its shareholding in the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the press release of MUFG Bank on 23 January 2019², the disposal of the Shares is one of its individual plans as described in “Initiatives to improve productivity” targeted in “MUFG Re-Imagining Strategy – Building Anew at MUFG” released on 15 May 2017 where MUFG is proceeding optimisation of capital management in the face of tightened international financial regulations and changes in business environment. In such context, MUFG is conducting a review of existing strategic investments by MUFG group companies from viewpoint of strategy and capital efficiency, etc.

It is also stated in the aforesaid press release that although MUFG Bank has now decided to sell the Shares and lower the shareholding ratio after deliberate consideration based on changes in business environment surrounding MUFG and MUFG Bank, MUFG Bank is currently collaborating with the Company in broad-ranging areas and there will be no change in the status of the Company as its important alliance partner in Hong Kong. MUFG will continue to carry out a review of existing strategic investments including the remaining Shares, whilst no determination has been made in relation to its remaining shareholding in the Company at the present time.

Notes:

1. Source: <https://www.mufg.jp/english/>
2. Source: <https://www.bk.mufg.jp/global/newsroom/news2019/pdf/newse0123.pdf>

2. Principal terms of the Deed of Undertaking and the Buy-back Deed

2.1. The Deed of Undertaking

On 23 January 2019, the Seller and the Company executed the Deed of Undertaking in favour of the Company whereby the Seller irrevocably undertook to the Company that the Seller shall execute the Buy-back Deed on 28 March 2019 or such other date as may be requested by the Company subject to the passing of the requisite resolution by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at a general meeting of the Company approving the Buy-back Deed.

We note that the above condition is a regulatory requirement under the Buy-back Code which allows the Independent Shareholders to approve or reject the Share Buy-back and is therefore fair and reasonable.

2.2. The Buy-back Deed

The form of the Buy-back Deed is set out in Appendix III in the Circular and has been negotiated and finalised, pursuant to which the Seller agrees to sell and the Purchaser agrees to buy 15,500,000 Buy-back Shares, representing approximately 4.63% of the total number of issued Shares of the Company, and representing approximately 30.47% of the Shares held by the Seller in the Company as at the Latest Practicable Date. According to the Management, the Company will not execute the Buy-back Deed unless and until it has obtained approval by at least three-fourths of the votes cast on a poll by the Independent Shareholders present in person or by proxy at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We note that under Section 240 of the Companies Ordinance, a listed company may buy back its own shares in the form of a contingent buy-back contract only after it obtains authorisation by special resolution of its shareholders. As the Company is incorporated in Hong Kong, the above arrangement is to comply with such regulatory requirement.

3. Analysis of the Buy-back Price

As stated in the Letter from the Board in the Circular, the price of each Buy-back Share of HK\$38.17 (the “**Buy-back Price**”) was determined following commercial and arms’ length negotiations between the parties taking into account the prevailing market conditions after MUFG Bank had informed the Group of its intention to partially dispose of its interest in the Company. As MUFG Bank also has the option of disposing of its interest through the open market, comparison between the Buy-back Price with the historical price performance of the Shares is relevant.

3.1 Analysis of the market price of the Shares

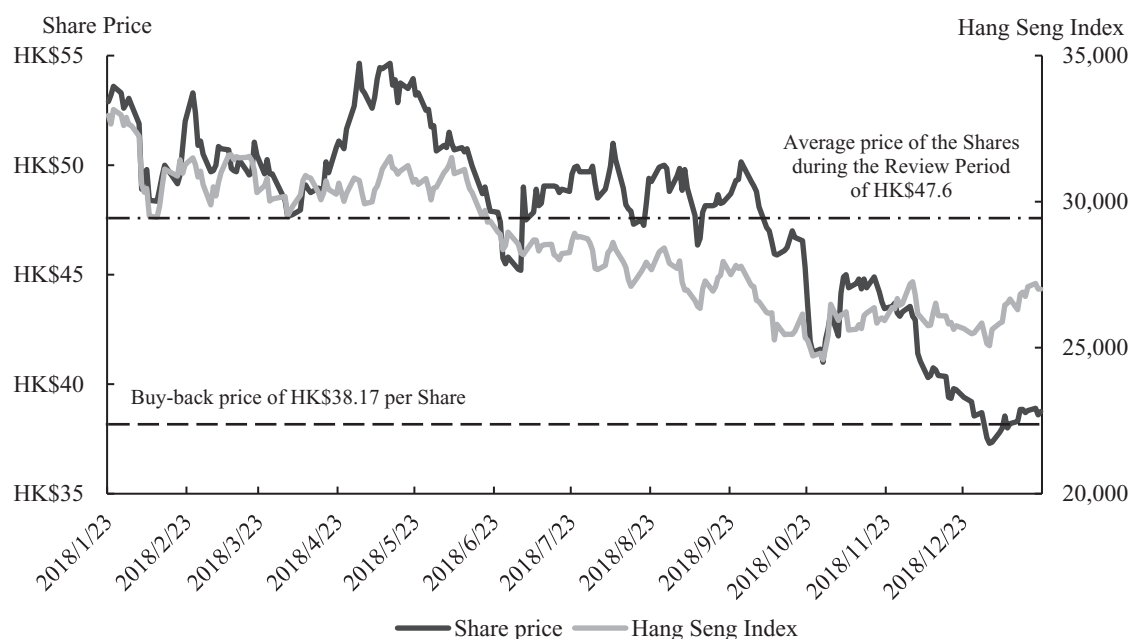
For the purpose of this letter, we have chosen the period from 24 January 2018 (being the first trading day of the 12 calendar months prior to the Announcement) to the Last Trading Date as the review period (the “**Review Period**”), as we are of the view that such period can provide a reasonable illustration for price trend of the Shares. The Buy-back Price of HK\$38.17 represents:

- (a) a discount of approximately 1.5% and approximately 11.8% to the closing price of HK\$38.75 per Share and HK\$43.30 per Share as quoted on the Stock Exchange on the Last Trading Day and the Latest Practicable Date respectively;
- (b) a discount of approximately 1.5% under the average closing price of HK\$38.75 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to and including the Last Trading Day;
- (c) a discount of approximately 1.1% under the average closing price of HK\$38.60 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to and including the Last Trading Day;
- (d) a discount of approximately 2.1% under the average closing price of HK\$38.98 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days immediately prior to and including the Last Trading Day; and
- (e) a discount of approximately 19.78% under the average closing price of HK\$47.58 per Share based on the daily closing prices of the Shares as quoted on the Stock Exchange for the past calendar year immediately prior to and including the Last Trading Day.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the Buy-back Price of HK\$38.17 and the 15,500,000 Buy-back Shares, the total consideration for the Share Buy-back shall not exceed HK\$591,635,000. The consideration may change as it shall be adjusted by the amount of any dividend or distribution with an ex-entitlement date on or after the date of the Announcement but before completion of the Share Buy-back by deducting an amount corresponding to the distribution paid, payable, declared or made in respect of the Buy-back Shares from the Purchase Price. We are of the view that such adjustment mechanism is fair and reasonable as price of shares of listed companies in the market also typically adjust when they trade ex-dividend.

We set out below a chart illustrating the Buy-back Price as compared to the daily closing price of the Shares as quoted on Stock Exchange and the Hang Seng Index for the Review Period.



Source: the Stock Exchange

As shown in the chart above, the Company's closing price per Share had traded in a similar pattern with the Hang Seng Index during the Review Period where the Hang Seng Index was on a downward trend.

As mentioned in paragraph 1.2 above, the Group's overall business performance has been stable during the Review Period. In particular, its banking-related business had performed satisfactorily up to 30 June 2018, and its financial position had been strengthened after disposal of its life insurance businesses in 2017. However, the Share price of the Company have been relatively weak. The Buy-back Price represents:

- a significant discount of 19.8% to the average price of the Shares of HK\$47.6 during the Review Period;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- a significant discount of 30.2% to the highest closing price of HK\$54.65 recorded on 2 May 2018; and
- a slight premium of 2.3% to the lowest closing price of HK\$37.30 recorded on 3 January 2019.

The Buy-back Price is therefore at a significant discount to the high end and a slight premium to the low end of the price range of the Shares during the Review Period.

3.2 Price-to-book analysis

In evaluating the Share Buy-back Price, we have also made reference to the price-to-audited net asset value (“P/B”) of other listed companies on the Stock Exchange which principally engage in banking business in Hong Kong (excluding Dah Sing Banking Group Limited, which is a listed subsidiary of the Company on the Stock Exchange) (the “Comparables”). We have identified the following list of five Comparables, which we believe is exhaustive.

Stock code	Company name	P/B (based on the share price of the Last Trading Date)	P/B (based on the share price of the Latest Practicable Date)	Market Capitalisation as at the Latest Practicable Date <i>(in HK\$ billion)</i>
00011	Hang Seng Bank Ltd.	2.23	2.33	354.8
02388	BOC Hong Kong (Holdings) Limited	1.31	1.40	338.9
00023	The Bank of East Asia, Ltd.	0.75	0.81	80.1
01111	Chong Hing Bank Limited	0.51 ³	0.51 ³	13.3
00626	Public Financial Holdings Limited	0.48	0.47	3.6
	Highest	2.23	2.33	
	Lowest	0.48	0.47	
	Average	1.06	1.11	
00440	The Company	0.51 ¹		14.5

Source: annual reports of the Comparables

Notes:

1. The P/B of the Company is calculated based on the Buy-back Price.
2. Except for the P/B of Chong Hing Bank Limited, the P/B of the other Comparables and the market capitalisation of all Comparables are calculated based on
 - (a) the prices of their shares on the Last Trading Date;
 - (b) the number of outstanding shares as disclosed in the latest monthly returns available on the Last Trading Date; and
 - (c) their book value per the latest published audited financial positions of the Comparables.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The P/B of Chong Hing Bank Limited is calculated based on the number of outstanding shares and its book value as at 31 December 2017, the date when the latest available audited financial statements were compiled. The number of outstanding shares of Chong Hing Bank Limited had increased due to a rights issue in 2018.

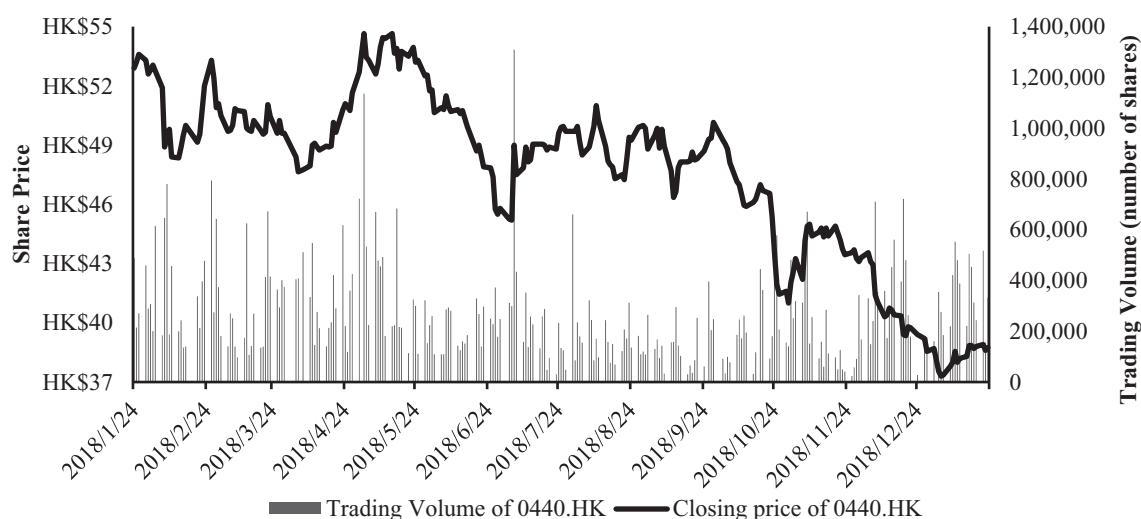
As shown above, the P/B (based on the share price of the Last Trading Date) of the Comparables ranges from 0.47 to 2.33 times with an average of 1.11 times. The P/B of the Company based on the Buy-back Price is near the low end of the above P/B range and represents a discount of approximately 54.1% to such average P/B.

We note that the market capitalisation of Hang Seng Bank Ltd. and BOC Hong Kong (Holdings) Limited are substantially larger than the Group. Notwithstanding this, we are of the view that they are suitable Comparables as, similar to that of the Company, (i) they operate in the same market and business environment (i.e. in Hong Kong); and (ii) they derive revenue mainly from retail and commercial banking businesses. For illustration, if Hang Seng Bank Ltd. and BOC Hong Kong (Holdings) Limited are excluded given their significantly larger market capitalisation, the range of P/B of the three Comparables would be 0.47 to 0.81 times with an average of 0.60 times. The P/B of the Company based on the Buy-back Price is still at a discount of 15.0% to such average P/B.

Based on the above, the Buy-back Price is favourable to the Company and the remaining Shareholders from the perspective of market price of the Shares and P/B valuation with reference to the Comparables.

4. Trading volume of the Shares

We set out below a chart showing the daily trading volume of the Shares on the Stock Exchange and the closing prices of the Shares during the Review Period:



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We note that the average daily trading volume and the average monthly trading volume of the Shares on the Stock Exchange during the Review Period was approximately 269,892 Shares and 5,532,788 Shares respectively. The following table sets out certain percentage ratios which the average daily and monthly trading volumes of the Shares represent:

		Percentage of		
Trading volume (Shares)	number of total issued Shares %	number of Shares held by the public as at the Latest Practicable Date %	number of Buy-back Shares %	
Average daily trading volume	269,892	0.08%	0.19%	1.74%
Average monthly trading volume	5,532,788	1.65%	3.80%	35.70%

We note that the trading activities of Shares have not been high where, on average, only Shares representing 0.19% and 3.80% of public float were traded daily and monthly. As an illustration, assuming the Seller were to dispose of the number of Buy-back Shares in the market and using the average daily trading volume as reference, it would theoretically take more than 57 trading days or about 2.8 calendar months to complete the transaction. We are of the view that in the absence of the Share Buy-back, the Seller's divestment activities in the market would possibly cause a considerable downward pressure on the price of the Shares. This would not be in the interests of the Company and its Shareholders as a whole.

As elaborated in the section under "Analysis of the Buy-back Price" above, assuming the Company were to acquire the similar number of Buy-back Shares from the market at the average closing price of HK\$38.98 for the 30 consecutive trading days immediately prior to and including the Last Trading Day, the Company would have to utilise an additional HK\$12.6 million to complete the Share Buy-back.

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5. Effects on shareholding structure of the Company

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Share Buy-back (assuming there is no change in the number of the total issued Shares of the Company and of the shareholders from the Latest Practicable Date to the completion of the Share Buy-back):

	As at the Latest Practicable Date		Immediately after completion of the Share Buy-back	
	Approximately % of total no. of issued Shares of the Company	Number of Shares	Approximately % of total no. of issued Shares of the Company	Number of Shares
David Shou-Yeh Wong ¹	40.97%	137,285,682	42.96%	137,285,682
MUFG Bank	15.18%	50,870,777	11.07%	35,370,777
John Wai-Wai Chow ²	0.37%	1,223,231	0.38%	1,223,231
Public	43.48%	145,695,410	45.59%	145,695,410
Total	100.00%	335,075,100	100.00%	319,575,100

Notes:

- The Shares in which Mr. David Shou-Yeh Wong, the Chairman of the Company, is interested include Shares held by a corporation in which Mr. David Shou-Yeh Wong controls one third or more of the voting powers at general meetings and Shares held by companies under a family trust. HSBC International Trustee Limited is the trustee and Mr. David Shou-Yeh Wong is the settlor. For further details of the breakdowns please refer to the public records of the statutory disclosure of interest notices and the relevant disclosures in the 2018 interim report of the Company in respect of such interests.
- Mr. John Wai-Wai Chow is a non-executive Director of the Company.

Assuming there are no changes to the shareholdings of the public Shareholders and the total number of issued Shares of the Company from the Latest Practicable Date to the date of the completion of the Share Buy-back and the cancellation of the Buy-back Shares, the interest of the public Shareholders in the Company's total number of issued Shares of the Company will increase from approximately 43.48% to approximately 45.59%. Meanwhile, Mr. David Shou-Yeh Wong and MUFG Bank remain as substantial shareholders of the Company. There is no significant change in shareholdings in the Company or change in control after the completion of the Share Buy-back.

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6. Financial effects of the Share Buy-back

6.1 Earnings per Share

The Company's basic earnings per Share will be enhanced upon the completion of the Share Buy-back as illustrated below:

	Before the Share Buy-back	Upon completion of the Share Buy-back	Percentage increase
	<i>HK\$</i>	<i>HK\$</i>	<i>%</i>
For the year ended 31 December 2017			
Basic Earnings per Share			
– <i>From continuing operations</i> ¹	<u>4.70</u>	<u>4.93</u>	4.9
– <i>From discontinued operations</i> ¹	<u>11.43</u>	<u>11.99</u>	4.9
For the six months ended 30 June 2018			
Basic Earnings per Share			
– <i>From continuing operations</i> ²	<u>3.11</u>	<u>3.26</u>	4.8
– <i>From discontinued operations</i> ³	<u>N/A</u>	<u>N/A</u>	N/A

Notes:

1. Assuming the Share Buy-back had taken place on 1 January 2017 and the Buy-back Shares had been bought back in full and cancelled for the year ended 31 December 2017.
2. Assuming the Share Buy-back had taken place on 1 January 2018 and the Buy-back Shares had been bought back in full and cancelled for the six months ended 30 June 2018.
3. The Company had no discontinued operations for the six months ended 30 June 2018.

As shown in the above table and for illustration purpose only, assuming the Share Buy-Back had taken place on 1 January 2017, basic earnings per Share for the year ended 31 December 2017 from continuing operations and discontinued operations would have increased from approximately HK\$4.70 to approximately HK\$4.93 and from approximately HK\$11.43 to approximately HK\$11.99, each representing an increase of approximately 4.9%. The enhancement of earnings per Share means each Shareholder

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will have a greater share of the Group's business returns after the completion of the Share Buy-back and this may in turn result in improvements in the market price per Share and/or dividend per Share. This is in the interest of all Shareholders.

6.2 Consolidated net Assets per Share

The Share Buy-back will result in an enhancement in the consolidated net asset value per Share attributable to Shareholders, as illustrated below:

	Before the Share Buy-back	Upon completion of the Share Buy-back	Percentage increase
	<i>HK\$</i>	<i>HK\$</i>	<i>%</i>
As at 30 June 2018			
Consolidated net asset value per Share	<u>74.71</u>	<u>76.48</u>	2.4

As shown in the above table and for illustration purpose only, based on the unaudited consolidated balance sheet of the Group as at 30 June 2018, the consolidated net asset value per Share would have increased from approximately HK\$74.71 to approximately HK\$76.48, representing approximately an increase of 2.4%. This is due to the fact that the Buy-back Price for each Buy-back Share is below the Company's net asset value per Share. The enhancement means each Shareholder will have a greater Share of the Group's net assets after the completion of the Share Buy-back, which is also in the interest of the Shareholders as a whole.

In light of the above, we concur with the Directors' view that the Share Buy-back will (1) enhance the earnings per Share, which means each Shareholder will have a greater share of the Group's business returns after the completion of the Share Buy-back on per Share basis; and (2) enhance the net assets per Share, which means each Shareholder will have a greater share of the Group's net assets after the completion of the Share Buy-back on per Share basis. The above enhancement may in turn result in improvements in the market price per Share and/or dividend per Share. The Share Buy-back is therefore in the interest of all Shareholders in this respect.

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6.3 Dividend policy and yield ratio

We set out below a table illustrating the annual dividend paid by the Company (excluding special dividend after the disposal of certain subsidiaries engaging in life insurance business in 2017) for the years ended 31 December 2015, 2016 and 2017 respectively:

	Dividends per Share	Approximately total dividend distributed (HK\$ million)
2015	1.32	442
2016	1.32	442
2017	1.35	452
Average	1.33	445

As shown in the table above, we note that the Company's dividend pay-out has been stable where the average total dividend distributed for the years ended 31 December 2015, 2016 and 2017 was approximately HK\$445 million per year. As at 30 June 2018, the Group had cash and balances with banks of approximately HK\$14,356.2 million. Based on our discussion with the Management, the settlement of the total consideration of the Share Buy-back, which shall not exceed approximately HK\$591.6 million, should not affect or inhibit the Company in maintaining its dividend policy, barring unforeseen circumstances.

6.4 Total liabilities

We note that the consideration of the Share Buy-back will be settled in cash. As such, there will not be any direct impact on the total liabilities of the Group.

Based on the above, we concur with the Company's view that the Share Buy-back will enhance its earnings per Share and consolidated net asset per Share, and will not cause any material adverse effect on the Group's financial position and dividend pay-out ability.

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RECOMMENDATION

Having considered the above principal factors, we are of the view that the terms of the Share Buy-back are fair and reasonable and in the interests of the Independent Shareholders. Accordingly, we recommend the Independent Shareholders, as well as the Code IBC to advise the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Buy-back Deed and the Share Buy-back.

Yours faithfully,
For and on behalf of
Altus Capital Limited

Arnold Ip
Executive Director

Chang Sean Pey
Executive Director

Mr. Arnold Ip (“Mr. Ip”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Ip has over 30 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

Mr. Sean Pey Chang (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investments Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.

1. FINANCIAL SUMMARY

The following is a summary of the audited consolidated results and assets and liabilities of the Group for the three years ended 31 December 2015, 2016 and 2017 respectively, as extracted from each of the relevant annual reports of the Company.

Consolidated Results

	For the year ended 31 December		
	2017	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations			
Operating income	<u>5,498,973</u>	<u>5,006,421</u>	<u>4,867,331</u>
Profit before taxation	2,550,997	2,497,558	2,502,783
Income tax	<u>(419,415)</u>	<u>(305,270)</u>	<u>(308,790)</u>
Profit from continuing operations	2,131,582	2,192,288	2,193,993
Discontinued operations			
Profit from discontinued operations	<u>3,831,310</u>	<u>246,810</u>	<u>313,817</u>
Profit for the year	<u>5,962,892</u>	<u>2,439,098</u>	<u>2,507,810</u>
Profit attributable to			
Shareholder of the Company:			
– From continuing operations	1,573,994	1,645,401	1,634,068
– From discontinued operations	<u>3,830,780</u>	<u>246,416</u>	<u>313,399</u>
	5,404,774	1,891,817	1,947,467
Non-controlling interests	<u>558,118</u>	<u>547,281</u>	<u>560,343</u>
Profit for the year	<u>5,962,892</u>	<u>2,439,098</u>	<u>2,507,810</u>

	For the year ended 31 December		
	2017	2016	2015
	HK\$	HK\$	HK\$
Earnings per share			
Basic			
From continuing operations	4.70	4.91	4.88
From discontinued operations	11.43	0.74	0.93
Diluted			
From continuing operations	4.70	4.91	4.88
From discontinued operations	11.43	0.73	0.93
Dividends			
Interim dividend per share	0.32	0.29	0.32
Final dividend per share	1.03	1.03	1.00
Special dividend per share	6.60	–	–

Consolidated Assets and Liabilities

	As at 31 December		
	2017	2016	2015
	HK\$'000	HK\$'000	HK\$'000
Total assets	225,537,674	223,243,010	212,792,277
Total liabilities	<u>194,101,271</u>	<u>195,555,442</u>	<u>186,883,345</u>
Total equity	<u>31,436,403</u>	<u>27,687,568</u>	<u>25,908,932</u>
Equity attributable to the Company's shareholders			
Share capital	4,248,559	4,248,559	4,248,559
Other reserves (including retained earnings)	20,813,523	17,568,223	16,196,527
Non-controlling interests	<u>6,374,321</u>	<u>5,870,786</u>	<u>5,463,846</u>
Total equity	<u>31,436,403</u>	<u>27,687,568</u>	<u>25,908,932</u>

None of the audited consolidated financial statements of the Group for the three years ended 31 December 2015, 2016 and 2017 contained a qualified opinion.

Interim Results

The following unaudited financial information is extracted from the Company's 2018 Interim Report for the six months ended 30 June 2018:

	1 January to 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Operating income	<u>3,061,564</u>	<u>2,634,049</u>
Profit before taxation	1,617,856	1,505,945
Income tax	<u>(236,952)</u>	<u>(179,215)</u>
Profit for the period from continuing operations	1,380,904	1,326,730
Discontinued operations		
Profit for the period from discontinued operations	<u>–</u>	<u>3,849,872</u>
Profit for the period	<u>1,380,904</u>	<u>5,176,602</u>
Profit attributable to		
Shareholder of the Company:		
– From continuing operations	1,040,777	994,871
– From discontinued operations	–	3,849,471
Non-controlling interests	<u>340,127</u>	<u>332,260</u>
Profit for the period	<u>1,380,904</u>	<u>5,176,602</u>
	HK\$	HK\$
Earnings per share		
Basic		
From continuing operations	3.11	2.97
From discontinued operations	–	11.49
Diluted		
From continuing operations	3.11	2.97
From discontinued operations	–	11.49

2. AUDITED FINANCIAL STATEMENTS

The Company's audited consolidated income statement, consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flows statement and notes to the

financial statements of the Group for the year ended 31 December 2017 are set out at pages 105 to 318 of the 2017 Annual Report of the Company which can be found at <https://www.dahsing.com/en/pdf/aboutus/E18030807-DSFH-AR.pdf>.

3. UNAUDITED FINANCIAL STATEMENTS

The Company's unaudited consolidated income statement, consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, condensed consolidated cash flows statement and notes to the financial statements of the Group for the six months ended 30 June 2018 are set out at pages 2 to 88 of the 2018 Interim Report of the Company which can be found at https://www.dahsing.com/en/pdf/aboutus/E18082640-DSFH_IR.pdf.

4. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2019, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following outstanding borrowings:

- (a) Dah Sing Bank, Limited ("DSB") has in place a US\$2,000,000,000 Euro Medium Term Note Programme (the "Programme") under which notes can be issued. The outstanding issues under the Programme are as follows:
- Subordinated Fixed Rate Notes (the "Notes") of US\$225,000,000 issued by DSB on 11 February 2010 that qualify as Supplementary capital of DSB and are listed on the Singapore Stock Exchange Securities Trading Limited. The Notes will mature on 11 February 2020. Interest at 6.625% p.a. is payable semi-annually. An interest rate swap contract to swap the fixed rate payment liability of the Notes to floating interest rate based on LIBOR has been entered into with an international bank.
 - Basel III compliant 10-year Subordinated Fixed Rate Notes (the "Notes") of US\$250,000,000 issued by DSB on 30 November 2016 that qualify as Tier 2 capital of DSB (subject to the provisions of the Banking (Capital) Rules of Hong Kong) and are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). The Notes will mature on 30 November 2026 with an optional redemption date falling on 30 November 2021. Interest at 4.25% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the Notes are not redeemed, the interest rate will be reset and the Notes will bear interest at the then prevailing 5-year U.S. Treasury Rate plus 255 basis points. DSB may, subject to receiving the prior approval of the Hong Kong Monetary Authority ("HKMA"), redeem the Notes in whole but not in part, at par either on the optional redemption date or for taxation reasons on interest payment date. An interest rate swap contract to swap the fixed rate payment liability of the Notes to floating interest rate based on LIBOR has been entered into with an international bank.

- Basel III compliant 10-year Subordinated Fixed Rate Notes (the “Notes”) of US\$225,000,000 issued by DSB on 15 January 2019 that qualify as Tier 2 capital of DSB (subject to the provisions of the Banking (Capital) Rules of Hong Kong) and are listed on the SEHK. The Notes will mature on 15 January 2029 with an optional redemption date falling on 15 January 2024. Interest at 5.00% p.a. is payable semi-annually from the issue date to the optional redemption date. Thereafter, if the Notes are not redeemed, the interest rate will be reset and the Notes will bear interest at the then prevailing 5-year U.S. Treasury Rate plus 255 basis points. DSB may, subject to receiving the prior approval of the HKMA, redeem the Notes in whole but not in part, at par either on the optional redemption date or for taxation reasons on interest payment date. An interest rate swap contract to swap the fixed rate payment liability of the Notes to floating interest rate based on LIBOR has been entered into with an international bank.

- (b) In addition, as at 31 January 2019, the Group had deposits from customers, money market takings, interbank and term loans from other banks, certificates of deposit issued, repurchase and short-sale transactions, direct credit substitutes, transaction-related contingencies, trade-related contingencies and other commitments that arise from the normal course of banking business.

Save as set out in (a) and (b) above, and apart from the intra-group liabilities, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowing or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 January 2019.

5. MATERIAL CHANGE

The Directors confirm that there have been no material changes in the financial or trading position or outlook of the Group since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made) up to and including the Latest Practicable Date.

6. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Conditions in the first half of 2018 were generally benign in our core markets of Hong Kong, Macau and Mainland China, despite a more unstable global political and economic environment year to date. Both the US economy and the US dollar have remained strong during the first half of the year. The Hong Kong economy has been generally buoyant and the Mainland economy has been broadly stable.

However, the generally benign conditions in the first half did not continue as strongly in the second half of the year. US interest rates continued to rise, with a knock on impact on Hong Kong dollar rates, which have also risen during the second half of the year. The impact of a trade war, and particularly the impact of possibly higher tariffs and

restrictions on trade with the Mainland by the US, remain uncertain. These developments, amongst others, have unsettled equity investors in Hong Kong, resulting in a much weaker equity market in Hong Kong. Mainland equity markets have been even more deeply affected, with relatively sharp falls during the year.

All of this makes us somewhat more cautious on the outlook for 2019. However, currently our overall business conditions remain relatively stable, so we are not at this stage unduly pessimistic, and we expect to continue to see at least modest loan growth in 2019. The potential impact of a trade war has made us somewhat less positive about the credit outlook, particularly for our commercial banking business. However, we have considered this uncertain and less favourable outlook, and made sufficient credit impairment provisions. Impairment charges, barring exceptional market development, are expected to be manageable.

Expectations for US interest rate rises have moderated, and this is likely to mean that Hong Kong interest rates also remain somewhat lower than initially expected. However, the current substantial differential in rates between US dollars and HK dollars may put some pressure on our asset yields, and this could have some impact on our net interest margin for the year. Pressure on expenses is expected to remain manageable.

Our capital adequacy remains robust, and after the new issuance of US\$225 million of Basel III compliant Tier 2 subordinated debt in January, we expect our capital position to remain adequate for the remaining part of 2019. Liquidity in the Hong Kong market also remains generally robust, and our funding base, mainly comprising domestic Hong Kong deposits is also expected to remain stable.

Our general insurance business is expected to continue to report steady progress in terms of premium income. After the major typhoon last year, Typhoon Mangkhut, we remain mindful of the risks of natural disasters, and aim to manage this risk via appropriate levels of reinsurance. The investment performance of our insurance businesses, as well as other financial investments made by the group will be dependent in part on market conditions, although a substantial part of these investments comprises of fixed income investments and cash which are less likely to suffer from significant volatility.

Overall, whilst we believe that there are certain risks in the coming year, we believe at present that the overall performance of both our banking business and insurance business should be relatively stable.

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 Group. 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 is no omission of other matters which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Buy-backs Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of the calendar months during the 6 months immediately preceding 23 January 2019, being the date of the Announcement; (ii) on 23 January 2019, being the last trading day immediately preceding the Announcement; (iii) on 31 January 2019; and (iv) on the Latest Practicable Date.

Date	Closing price per Share HK\$
31 July 2018	49.70
31 August 2018	48.80
28 September 2018	50.15
31 October 2018	42.05
30 November 2018	43.30
31 December 2018	38.70
23 January 2019	38.75
31 January 2019	43.30
Latest Practicable Date	43.30

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the period commencing 6 months preceding 23 January 2019, being the date of the Announcement and ending on the Latest Practicable Date were HK\$37.30 on 3 January 2019 and HK\$51.00 on 9 August 2018, respectively.

3. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

The issued share capital of the Company as at the Latest Practicable Date is set out below:

Issued and fully paid or credited as fully paid: 335,075,100 Shares

The Shares in issue are ordinary shares in the share capital of the Company. All existing Shares rank pari passu in all respects with each other, including capital, dividends and voting rights. The Shares in issue are listed on the Stock Exchange.

Save as disclosed under the paragraphs headed “Interests of Directors and Chief Executives” and “Interests of Substantial Shareholders” in this appendix, as at the Latest Practicable Date, the Group had no outstanding options, warrants, derivatives or securities convertible into Shares.

During the two-year period immediately preceding the date of the Announcement and up to the Latest Practicable Date, the Company has not issued any Shares or agreed to issue any new Shares, and there has been no reorganisation of capital of the Company.

Since the end of the last financial year of the Company and during the 12 months immediately preceding the date of this circular, the Company has not bought back any Shares.

4. DIVIDENDS

The frequency and amount of dividends that have been proposed or paid out by the Company to the Shareholders, including the Seller, during the 2-year period immediately preceding 21 February 2019, being the date of this circular, are as follows:

	For the year ended 31 December 2018	For the year ended 31 December 2017
	<i>HK\$</i>	<i>HK\$</i>
Interim dividend per Share	0.38	0.32
Final dividend per Share	–	1.03
Special dividend per Share	–	6.60
Total dividend per share	0.38	7.95

The Company’s ability to pay dividends to Shareholders depends on a number of factors including the financial position of the Group, investment opportunities available to the Group and the general market conditions. The Company will strike a balance between preserving cash for the Group for its operational and investment needs and distributing dividends to Shareholders. The Company has no plan or intention to alter its present dividend policy.

5. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) 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 or deemed to have acquired under such provisions of the SFO); or (ii) which required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules:

(a) Interests in the shares and underlying shares of the Company and its associated corporation

Directors	Number of shares/underlying shares			Total interests	Percentage of interests in the total number of issued shares (%)
	Personal interests	Corporate interests	Other interests		
Number of ordinary shares/underlying shares in the Company					
David Shou-Yeh Wong	–	137,285,682 ⁽¹⁾	–	137,285,682	40.97
John Wai-Wai Chow	1,223,231	–	–	1,223,231	0.37
Number of ordinary shares/underlying shares in DSBG					
David Shou-Yeh Wong	–	1,045,626,955 ⁽²⁾	–	1,045,626,955	74.39
Gary Pak-Ling Wang	1,834,691 ⁽³⁾⁽⁴⁾	–	–	1,834,691	0.13
John Wai-Wai Chow	208,741	–	–	208,741	0.01

Notes:

- The corporate interests were in respect of Shares held by a corporation in which the director controlled one third or more of the voting powers at general meetings and Shares held by companies under a family discretionary trust. HSBC International Trustee Limited is the trustee of a family discretionary trust of which David Shou-Yeh Wong is the settlor.
- Such shares included the indirect corporate interests of David Shou-Yeh Wong in DSBG under Part XV of the SFO by virtue of his beneficial interests of 40.97% in the Company which as of the Latest Practicable Date held a controlling interest of 74.37% in DSBG and interests in DSBG held through a company controlled by David Shou-Yeh Wong.
- The personal interests of Gary Pak-Ling Wang comprised of (a) interests in 934,691 ordinary shares of DSBG, (b) interests in share options in respect of 450,000 underlying shares of DSBG as disclosed in the following paragraphs regarding interests in options under share option schemes of DSBG; and (c) deemed interests in 450,000 notional underlying shares of DSBG relating to cash-settled share-based incentive options granted by DSBG on 26 April 2018 as explained in note (4) below.

4. DSBG had established a cash-settled share-based incentive option scheme as a long-term incentive plan to incentivise employees on 20 March 2018. The rights granted under the scheme shall be exercisable upon vesting in 5 equal tranches commencing from the first anniversary of the date of grant. Subject to the satisfaction of performance appraisal indicators, grantees may exercise their vested options. No shares of DSBG will be issued to the grantees of the options under the scheme which is essentially a deferred cash bonus scheme linked to the performance of the grantees and the share price of DSBG.

(b) Interests in options under share option schemes of the Company and its associated corporation

(i) Share Option Scheme of the Company

No share options granted under the Old DSFH Option Scheme are outstanding from 30 June 2018 to the Latest Practicable Date.

No share options had been granted under the New DSFH Option Scheme from the date of its adoption to the Latest Practicable Date.

(ii) Share Option Schemes of DSBG

Old DSBG Option Scheme

The particulars of interests in share options to subscribe for ordinary shares of DSBG granted under the Old DSBG Option Scheme and share options outstanding as at the Latest Practicable Date are as follows:

Grantee	Number of DSBG's shares underlying the option					Exercise Price ⁽¹⁾ (HK\$)	Grant date (D/M/Y)	Exercise Period ⁽²⁾ (D/M/Y)
	Held at 30/06/2018 ⁽¹⁾	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Held as at Latest Practicable Date			
Director								
Gary Pak-Ling Wang	934,691	-	(934,691) ⁽⁴⁾	-	0	7.96	21/12/2012	21/12/2013- 21/12/2018
Aggregate of other employees⁽³⁾	62,312	-	-	-	62,312	11.68	26/03/2014	26/03/2015- 26/03/2020

Notes:

- Adjusted as a result of the rights issue of DSBG completed in May 2014. The key summary of related adjustments was announced by DSBG on 8 May 2014.
- All the existing share options granted under the Old DSBG Option Scheme shall be exercisable upon vesting in 5 equal tranches between the first and fifth anniversaries from the date of grant.

3. Share options were granted to certain eligible employees, who are directors, senior executives or officers of the major operating subsidiaries of DSBG and are working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance of Hong Kong.
4. The weighted average closing price of the shares of DSBG immediately before the date on which the options were exercised during the above period was HK\$14.60.
5. On 27 May 2014, the shareholders of DSBG approved the adoption of the New DSBG Option Scheme and the termination of the Old DSBG Option Scheme.
6. No further share options can be offered under the Old DSBG Option Scheme after its termination but the provisions of the Old DSBG Option Scheme remain in full force and effect to the extent necessary to give effect to exercise of all share options granted prior to the termination of the Old DSBG Option Scheme but not yet exercised at the time of termination.

New DSBG Option Scheme

The particulars of interests in share options to subscribe for ordinary shares of DSBG granted under the New DSBG Option Scheme and share options outstanding as at the Latest Practicable Date are as follows:

Grantee	Number of DSBG's shares underlying the option				Exercise Price (HK\$)	Grant date (D/M/Y)	Exercise Period ⁽¹⁾ (D/M/Y)
	Held at 30/06/2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			
Director							
Gary Pak-Ling Wang	450,000	-	-	-	450,000	18.24 26/04/2018	26/04/2019-26/04/2024
Aggregate of other employees⁽²⁾	1,050,000	-	-	-	1,050,000	18.24 26/04/2018	26/04/2019-26/04/2024

Notes:

1. All the existing share options granted under the New DSBG Option Scheme shall be exercisable upon vesting in 5 equal tranches between the first and fifth anniversaries from the date of grant.
2. Share options were granted to certain eligible employees, who are directors, senior executives or officers of the major operating subsidiaries of DSBG and are working under employment contracts that are regarded as “continuous contracts” for the purpose of the Employment Ordinance of Hong Kong.

All the interests stated above represent long positions. As at the Latest Practicable Date, none of the Directors held any short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations.

6. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any person (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Shareholder	Capacity	Number of Shares held/Interests in Shares	Percentage of interests in the total number of issued Shares ⁽⁵⁾
Christine Yen Wong	Deemed interests by virtue of her spouse having a notifiable interest	137,285,682 (L) ⁽¹⁾	40.97*
HSBC International Trustee Limited (“HSBCIT”)	Trustee and corporate interests	126,199,187 (L) ⁽²⁾	37.66*
Harold Tsu-Hing Wong	Deemed interests in Shares held by trustee	126,189,187 (L) ⁽³⁾	37.66*
DSI Limited	Trustee and corporate interests	61,205,583 (L) ⁽⁴⁾	18.27*
DSI Group Limited	Trustee and corporate interests	45,068,894 (L) ⁽⁴⁾	13.45*
DSI Holding Limited	Trustee and corporate interests	19,914,710 (L) ⁽⁴⁾	5.94*
Mitsubishi UFJ Financial Group, Inc.	Corporate interests	50,870,777 (L)	15.18
MUFG Bank, Ltd.	Beneficial interests	50,870,777 (L)	15.18
Aberdeen Asset Management Asia Limited	Investment manager	18,048,800 (L)	5.39

* The interests disclosed above by each of HSBCIT, Harold Tsu-Hing Wong, DSI Limited, DSI Group Limited and DSI Holding Limited relate to the Shares held by David Shou-Yeh Wong in the Company as disclosed under the heading “Interests of Directors and Chief Executive”. The interests of Christine Yen Wong represent the whole of such Shares. Therefore, these shareholdings should not be aggregated, and rather form part or whole of the same share interests of David Shou-Yeh Wong held in the Company.

Notes:

1. Such Shares represent the deemed interests of Christine Yen Wong by virtue of her spouse, David Shou-Yeh Wong being a substantial shareholder of the Company having a notifiable interest in the relevant share capital of the Company (under the interpretation of section 316(1) of the SFO). These interests comprise the same Shares held by David Shou-Yeh Wong under the heading “Interests of Directors and Chief Executive” above.
2. Out of these shares, 126,189,187 Shares are mainly comprised of the interests indirectly held by HSBCIT in trust for a family discretionary trust of which David Shou-Yeh Wong is the settlor.
3. Pursuant to section 322 of the SFO, Harold Tsu-Hing Wong has a deemed interest in the 126,189,187 Shares held by HSBCIT in trust for a family discretionary trust of which David Shou-Yeh Wong is the settlor.
4. Such Shares are mainly comprised of the interests indirectly held by DSI Limited, DSI Group Limited and DSI Holding Limited in trust for a family discretionary trust of which David Shou-Yeh Wong is the settlor.
5. The percentage of interests was calculated with reference to the total number of issued Shares of the Company as at the Latest Practicable Date.
6. The letter “L” denotes a long position in the Shares.

As at the Latest Practicable Date, the Company has not received any irrevocable commitments for voting in respect of the approval of the Share Buy-back at the EGM.

7. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

Save as disclosed:

- (a) None of the holders of 10% or more of the voting rights of the Company had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (b) None of the Directors or any persons acting in concert with them had dealt for value in any Shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.
- (c) Mr. David Shou-Yeh Wong, an executive Director, is deemed to be interested in the 137,285,682 Shares held by DSI Limited, DSI Group Limited, DSI Holding Limited, Winsome Holdings Limited and M.O.L Finance (Asia) Limited. It is the intention of each of the abovementioned bodies corporate to vote in favour of the resolution approving the Share Buy-back at the EGM in respect of all the Shares they held.
- (d) It is the intention of Mr. John Wai-Wai Chow, a non-executive Director, to procure the vote in favour of the resolution approving the Share Buy-back at the EGM in respect of the 1,223,231 Shares held by him.

8. INTERESTS IN THE GROUP'S ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired by or disposed of or leased to any member of the Group or are proposed to be acquired by or disposed of or leased to any member of the Group since the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

9. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates (as defined under the Listing Rules) had any interest 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 (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

10. 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 which is not expiring or is not determinable by the employer within one year without payment of any compensation (other than statutory compensation).

11. MATERIAL CONTRACT

The following contract (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) has been entered into by members of the Group within two years immediately preceding the Latest Practicable Date which is or may be material:

- (a) The Deed of Undertaking, the terms of which are set out in this circular.

12. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

13. NO MATERIAL ADVERSE CHANGES

The Directors confirm that, as far as they are aware as at the Latest Practicable Date, there have been no material adverse changes in the financial or trading position or outlook of the Group since the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

14. CONSENT AND QUALIFICATION OF EXPERT

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with its letter of advice included in the form and context in which it appears.

The following sets out the qualifications of the Independent Financial Adviser:

Name	Qualifications
Altus Capital Limited	a corporation licensed under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interest in any assets which had been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

15. GENERAL

- (a) The registered office of the Company is located at 36th Floor, Everbright Centre, 108 Gloucester Road, Hong Kong.
- (b) The secretary of the Company is Ms. Doris Wai-Nar Wong, she is a fellow member of The Institute of Chartered Secretaries and Administrators of the United Kingdom and The Hong Kong Institute of Chartered Secretaries.
- (c) The business office of the Independent Financial Adviser is situated at 21 Wing Wo Street, Central, Hong Kong.

- (d) The share registrar of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese translation in the event of inconsistency.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours at the registered office of the Company at 36th Floor, Everbright Centre, 108 Gloucester Road, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) the website of Dah Sing Bank (www.dahsing.com) from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the two financial years ended 31 December 2016 and 2017;
- (c) the letter from the Board, the text of which is set out on pages 5 to 15 of this circular;
- (d) the letter of recommendation from the Code IBC, the text of which is set out on page 16 of this circular;
- (e) the letter of advice issued by the Independent Financial Adviser to the Code IBC and the Independent Shareholders dated 21 February 2019, the text of which is set out on pages 17 to 35 of this circular;
- (f) the written consent given by the Independent Financial Adviser as referred to in the paragraph headed "Consent and qualification of expert" in this appendix; and
- (g) the material contract as referred to in the paragraph headed "Material Contract" in this appendix.

THIS DEED is dated this _____ day of _____ 2019

BETWEEN:

1. **MUFG BANK, LTD.**, a company incorporated in Japan, with address at 2-7-1, Marunouchi, Chiyoda-ku, Tokyo, 100-8388 Japan (“**Seller**”); and
2. **DAH SING FINANCIAL HOLDINGS LIMITED**, a company incorporated in Hong Kong and listed on the Exchange (Stock Code: 0440) with registered address at 36/F, Everbright Centre, 108 Gloucester Road, Hong Kong (“**Purchaser**” or the “**Company**”).

(each a “**party**” and collectively the “**parties**”)

WHEREAS:

- (A) The Seller and Purchaser have entered into negotiations relating to a possible transaction for the sale and buy-back of the Sale Shares and relevant shareholders of the Purchaser have passed a special resolution consenting to such transaction.
- (B) On and subject to the terms of this deed and Applicable Laws and Regulations, the Seller has agreed to sell, and the Purchaser has agreed to buy back and cancel, the Sale Shares.

AGREED TERMS

1. Definitions and Interpretation

Definitions

- 1.1 In this deed, except where a different interpretation is necessary in the context, the words and expressions set out below shall have the following meanings:

“**Articles of Association**” means the existing articles of association of the Company as at the date of this deed;

“**Applicable Laws and Regulations**” mean with respect to any person, any Laws and Regulations that are applicable to and binding upon such person;

“**Business Day**” means a day (excluding Saturdays, Sundays and public holidays and a day on which typhoon signal no. 8 or a black rainstorm warning is hoisted at any time in Hong Kong) on which the Exchange is generally open for transaction of business and banks are generally open for business in Hong Kong and Japan;

“**CCASS**” means the Central Clearing and Settlement System established and operated by HKSCC;

“**Companies Ordinance**” means the Companies Ordinance (Cap 622 of the Laws of Hong Kong);

“**Completion**” means completion by the parties of their respective obligations in accordance with Clause 4;

“**Completion Date**” means (a) 29 March 2019, (b) to the extent the Conditions Precedent are not satisfied on 29 March 2019, five (5) Business Days after the satisfaction of the Conditions Precedent, or (c) such other date as the parties may agree in writing provided always that the Completion Date shall be no later than the Long Stop Date;

“**Completion Location**” means the office of the Company at 36/F, Everbright Centre, 108 Gloucester Road, Hong Kong;

“**Conditions Precedent**” means the conditions as set out in Clauses 3.1(a) and 3.1(b);

“**Encumbrance**” means any mortgage, charge, security interest, lien, pledge, assignment by way of security, equity, claim, right of pre-emption, option, covenant, restriction, reservation, lease, trust, order, decree, judgment, title defect (including retention of title claim), conflicting claim of ownership or any other encumbrance of any nature whatsoever (whether or not perfected other than liens arising by operation of law) other than any such ‘encumbrance’ set out in the Articles of Association;

“**Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Executive**” means the Director of the Corporate Finance Division of the SFC;

“**Governmental Authority**” means any nation or government or any province or state or any other political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality of any country or any political subdivision thereof, any court, tribunal or arbitrator and any self-regulatory organisation and including, without limitation, the Securities and Futures Commission and the Hong Kong Monetary Authority;

“**Group Companies**” means the Company and each and any of the Subsidiaries for the time being and “**Group**” and “**Group Company**” shall be construed accordingly;

“**HKSCC**” means Hong Kong Securities Clearing Company Limited;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the PRC;

“**Laws and Regulations**” include:

- (a) any law, regulation, authorisation, ruling, judgment, order, decree or directive of any Governmental Authority;
- (b) any statute, ordinance, rule, regulation, proclamation or by-law in Hong Kong or any other relevant jurisdiction;
- (c) any notice, guidance or circular issued by any Governmental Authority or the Exchange in relation to the interpretation or application of the foregoing;
- (d) any rule, guidance or regulation of any Governmental Authority or the Exchange; and
- (e) without limiting the above, the Listing Rules, Companies Ordinance and the Share Buy-backs Code;

“**Listing Rules**” means the Rules Governing the Listing of Securities on the Exchange;

“**Long Stop Date**” means three (3) months from the date of this deed or such other date as the parties may agree in writing;

“**PRC**” means the People’s Republic of China which for the purposes of this deed excludes Hong Kong, Macau and Taiwan;

“**Purchase Price**” means the aggregate amount of HK\$591,635,000 (being an amount of HK\$38.17 per Sale Share);

“**Sale Shares**” means 15,500,000 Shares;

“**Seller’s Bank Account**” means such bank account of the Seller notified in writing by the Seller to the Company on or before the date of this deed;

“**SFC**” means the Securities and Futures Commission of Hong Kong;

“**Share Buy-backs Code**” means the Code on Share Buy-backs issued by the SFC;

“**Shares**” means the ordinary shares in the Company;

“**Subsidiary**” means a subsidiary as defined by section 15 of the Companies Ordinance or a subsidiary undertaking as defined by schedule 1 of the Companies Ordinance; and

“**Surviving Clauses**” means Clauses 1 (Definitions and Interpretation), 6 (Announcements), 7 (Costs and expenses), 8 (Notices), 9 (Miscellaneous), 10 (Governing law) and 11 (Appointment of Process Agent).

Interpretation

- 1.2 The clause and paragraph headings and the table of contents used in this deed are inserted for ease of reference only and shall not affect construction.
- 1.3 References to persons shall include bodies corporate, unincorporated associations and partnerships, in each case whether or not having a separate legal personality.
- 1.4 References to “writing” or “written” includes any other non-transitory form of visible reproduction of words.
- 1.5 References to the word “include” or “including” (or any similar term) are not to be construed as implying any limitation and general words introduced by the word “other” (or any similar term) shall not be given a restrictive meaning by reason of the fact that they are preceded or followed by words indicating a particular class of acts, matters or things.
- 1.6 Except where the context specifically requires otherwise, words importing one gender shall be treated as importing any gender, words importing individuals shall be treated as importing corporations and vice versa, words importing the singular shall be treated as importing the plural and vice versa, and words importing the whole shall be treated as including a reference to any part thereof.
- 1.7 References to statutory provisions, ordinances or enactments (including, for the avoidance of doubt, any Applicable Laws and Regulations) shall include references to any amendment, modification, extension, consolidation, replacement or re-enactment of any such provision, ordinance or enactment (whether before or after the date of this deed), to any previous enactment which has been replaced or amended and to any regulation, instrument or order or other subordinate legislation made under such provision, ordinance or enactment unless any such change imposes upon any party any liabilities or obligations which are more onerous than as at the date of this deed.
- 1.8 Any reference in this deed to a period of time dating from a given day or the day of an act or event, it is to be calculated exclusive of that day.
- 1.9 If an act under this deed to be done by a party on or by a given day is done after 5:00 pm on that day, it is taken to be done on the next day.
- 1.10 If an event must occur or any rights or obligations under this deed shall fall on a stipulated day, which is not a Business Day, then such event shall instead occur or such rights or obligations shall instead fall on the next succeeding Business Day after the stipulated day.
- 1.11 Unless otherwise specified in this deed, any reference in this deed to time is a reference to Hong Kong time.

1.12 Unless a contrary intention appears, the schedules, annexures and appendices to this deed are and shall be construed as being part of this deed.

1.13 References to HK\$ or HKD are references to the lawful currency from time to time of Hong Kong.

2. Sale and Buy-back of the Sale Shares

2.1 On the terms and subject to the conditions provided herein, the Seller agrees to sell, and the Purchaser agrees to buy back the Sale Shares for the Purchase Price.

2.2 The Sale Shares shall be sold by the Seller to the Purchaser free from any Encumbrance, fully paid, ranking *pari passu* with all other Shares in issue as at the respective date of transfer and with all rights attached or accruing to them on and from the date of this deed.

2.3 If the Company declares a dividend or distribution with an ex-entitlement date on or after 23 January 2019 and before Completion, the Purchase Price shall be adjusted accordingly by deducting from the Purchase Price an amount corresponding to the distribution paid, payable, declared or made in respect of the Sale Shares.

3. Conditions Precedent

3.1 Completion of the sale and buy-back of the Sale Shares is subject to and conditional upon the following Conditions Precedent being satisfied or waived on or before 5:00 p.m. on the Long Stop Date:

(a) the Executive approving the buy-back by the Company of the Sale Shares pursuant to the Share Buy-backs Code (and such approval not having been withdrawn) and the condition(s) of such approval, if any, having been satisfied; and

(b) each of the warranties set out in Clause 5 remaining true and accurate in all material respects.

3.2 If any of the Conditions Precedent are not completed or waived (or otherwise unable to be satisfied) on or before the Long Stop Date, either party may at its option by written notice not later than the Long Stop Date to the other party terminate this deed. If this deed is so terminated, this deed will be of no further force or effect (other than the Surviving Clauses), and the parties shall be released from all obligations hereunder, except that the termination will not relieve any party from any liability for any prior breach of this deed.

4. Completion

4.1 Subject to the Conditions Precedent being satisfied or waived on or prior to the Completion Date, Completion of the sale and buy-back of the Sale Shares shall take place at the Completion Location on the Completion Date when:

- (a) the Seller shall deliver to the Purchaser at the Completion Location:
 - (i) duly executed standard form of transfer in respect of the Sale Shares in favour of the Purchaser;
 - (ii) the share certificate(s) relating to the Sale Shares in the name of the Seller; and
 - (iii) a cheque for the amount of the Seller's share of the stamp duty in favour of the Government of Hong Kong; and
- (b) subject to the Seller satisfying its obligations under Clause 4.1(a), the Purchaser shall pay, or procure the payment of, the Purchase Price by electronic transfer in HK\$ to the Seller's Bank Account the satisfaction of which shall be the Purchaser delivering to the Seller a copy of the Purchaser's bank advice confirming the Purchase Price has been transferred from the Purchaser's bank, or such other payment method as agreed in writing by the parties.

4.2 In respect of Completion:

- (a) the obligations of the parties under this deed are interdependent and each party shall observe and perform its respective obligations under this deed; and
- (b) all actions required to be performed will be taken to have occurred simultaneously on the Completion Date, unless otherwise agreed by the parties hereof.

4.3 If a party fails to comply with any obligation under Clause 4.1, commits a material breach of this deed or is in breach of any warranty contained herein (other than owing to the fault or default of the other party), the other party shall be entitled (in addition to and without prejudice to all other rights or remedies available, including the right to claim damages) by written notice to the defaulting party on or before the Completion Date:

- (a) to terminate this deed (other than the Surviving Clauses), without liability on its part;
- (b) to effect Completion so far as reasonably practicable having regard to the defaults which have occurred; or

- (c) to fix a new date for Completion (being not more than ten (10) Business Days after the agreed date for Completion) in which case the provisions of Clause 4.1 shall apply to Completion as so deferred but provided such deferral may only occur once.

5. Warranties

5.1 Each party warrants to the other party that, subject to the satisfaction of the Conditions Precedent:

- (a) it is duly organised and has the right, power and authority, and has taken all action necessary, to execute, deliver and exercise its rights, and perform its obligations, under this deed and each document to be executed by the parties at or before Completion;
- (b) its obligations under this deed and each document to be executed by the parties at or before Completion are, or when the relevant document is executed will be, enforceable in accordance with their respective terms; and
- (c) it is not in receivership or liquidation and it has not taken steps to enter into liquidation; no petition has been presented for its winding up and there are no grounds on which a petition or application could be based for the appointment of a receiver for its or its winding up of.

5.2 The Seller hereby warrants to the Purchaser that:

- (a) as at the date of this deed, the Sale Shares have been validly issued and are fully paid;
- (b) the Seller is the sole registered legal and beneficial owner of the Sale Shares and holds such shares free and clear of any Encumbrance and has the right to exercise all voting and other rights over such Sale Shares;
- (c) the Sale Shares:
 - (i) are and will be fully-paid and rank pari passu in all respects with all the other Shares in the Company outstanding at such time; and
 - (ii) are and will stay properly and validly allotted and issued and will have the rights, powers and preference of Shares as set out in the existing Articles of Association of the Company;
- (d) other than pursuant to this deed, no person has any agreement or option, or right or privilege (whether pre-emptive or contractual, actual or contingent) capable of becoming an agreement or option, for the purchase from the Seller of any Sale Shares or to require the transfer, redemption or buy-back of any Sale Shares;

(e) there is no restriction on the transfer of the Sale Shares to the Purchaser at Completion; and

(f) the Sale Shares are not deposited in CCASS and, at Completion, can be validly transferred to the Company in accordance with Clause 4.1(a).

5.3 Each warranty under this Clause 5 is separate and independent and is not limited by reference to any other warranty or any other provision in this deed.

6. Announcements

The Seller and the Purchaser shall not make any public announcement or issue a press release or respond to any enquiry from the press or other media concerning or relating to this deed or its subject matter or any ancillary matter, unless mutually consented by the parties or such announcement is required by Applicable Laws and/or Regulations in which case the parties shall consult with each other and, subject always to complying with the requirements under Applicable Laws and/or Regulations and any direction and/or guidance from any Governmental Authority or the Exchange, take into consideration reasonable comments from the other party.

7. Costs and Expenses

7.1 Each party shall pay its own fees, expenses and disbursements in relation to the negotiation, preparation, execution, performance and implementation of this deed and each document referred to in it and other agreements forming part of the transaction.

7.2 Each party shall pay and bear its own stamp duty and fixed duty on instruments, Exchange trading fees and SFC transaction levies payable on any transfer of Sale Shares (if any).

8. Notices

8.1 Any communication and/or information to be given in connection with this deed shall be in writing in English and shall either be delivered by hand or sent by first class post or fax or email or in electronic form to:

(a) In the case of the Purchaser:

Address: Dah Sing Financial Holdings Limited
36th Floor, Everbright Centre, 108 Gloucester Road,
Wan Chai, Hong Kong

Fax: (852) 2588 3390

Email: doriswong@dahsing.com

Att: Ms. Doris Wong, Company Secretary

(b) In the case of the Seller:

Address: MUFG Bank, Ltd.
Global Commercial Banking Planning Division
Strategic Planning Department
2-7-1, Marunouchi, Chiyoda-ku,
Tokyo 100-8388, Japan

Fax: (+81) 3 3240 3879

Email: hiroshi_3_kawano@mufg.jp
satoshi_hori@mufg.jp
yoshihiro_suda@mufg.jp

Att: Mr. Hiroshi Kawano, Managing Director
Mr. Satoshi Hori, Vice President
Mr. Yoshihiro Suda, Associate

(or in each such case such other address as the recipient may notify to the other parties for such purpose).

8.2 A communication sent according to Clause 8.1 shall be deemed to have been received:

(a) if delivered by hand, at the time of delivery;

(b) if sent by pre-paid first class post, on the second day after posting; or

(c) if sent by fax, email or other electronic communication, at the time of completion of transmission by the sender;

except that if a communication is received between 5:00 p.m. on a Business Day and 9:30 a.m. on the next Business Day, it shall be deemed to have been received at 9:30 a.m. on the second of such Business Days.

9. Miscellaneous

Entire agreement

9.1 This deed (including its schedules and annexures) constitutes the entire agreement between the parties relating to the subject matter of this deed and supersedes and extinguishes any prior drafts, agreements, undertakings, representations, warranties and arrangements of any nature whatsoever, whether or not in writing, between the parties in relation to the subject matter of this deed.

Variation

9.2 Any variation of this deed is valid only if it is in writing and signed by the parties.

Assignment and transfer

9.3 This deed is personal to the parties and no party shall assign any of its rights or obligations under this deed without the written consent of the other party and subject to compliance with Applicable Laws and Regulations.

Counterparts

9.4 This deed may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. A party may execute this deed on a facsimile or PDF copy counterpart and deliver its signature by facsimile or email (as the case may be). A facsimile or PDF copy counterpart sent by facsimile machine or email (as the case may be) (a) must be treated as an original counterpart, (b) is sufficient evidence of the execution of the original and delivery of the counterpart, and (c) may be produced in evidence for all purposes in place of the original.

Severance

9.5 If any provision of this deed is held to be invalid or unenforceable by any judicial or other competent authority, all other provisions of this deed will remain in full force and effect and will not in any way be impaired.

9.6 If any provision of this deed is held to be invalid or unenforceable but would be valid or enforceable if some part of the provision were deleted or modified, the provision in question will apply with the minimum modifications necessary to make it valid and enforceable.

Further assurance

9.7 Each party agrees, at the requesting party's expense, to do anything another party requests (such as obtaining consents, signing and producing documents and getting documents completed and signed) as may be reasonably necessary or desirable to give full benefit and effect to the provisions of this deed and the transactions contemplated by it.

Time of the essence

9.8 Time is of the essence in this deed in respect of any date, times or period determined under this deed and as regards any date, time and period which may be substituted for them in accordance with this deed or by agreement in writing between the parties.

Right of third parties

9.9 Nothing in this deed is intended to nor shall be construed to confer upon or grant to any third party other than the parties hereto any right to enforce any term of this deed or any interests, rights, remedies or other benefits with respect to or in connection with any agreement or provision contained herein or contemplated hereby pursuant to the Contracts (Rights of Third Parties) Ordinance (Chapter 623 of the laws of Hong Kong).

Waiver

9.10 The express or implied waiver by any party to this deed of any of its rights or remedies arising under this deed or by law shall not constitute a continuing waiver of the right or remedy waived or a waiver of any other right or remedy.

10. Governing Law

This deed (and any dispute or claim relating to it or its subject matter (including non-contractual claims)) is governed by and is to be construed in accordance with Hong Kong law, and the parties agree to the exclusive jurisdiction of the Hong Kong courts.

11. Appointment of Process Agent

- 11.1 The Seller hereby irrevocably appoints MUFG Bank Hong Kong Branch of 8F, AIA Central, 1 Connaught Road, Central, Hong Kong as its agent to accept service of process in Hong Kong in any legal action or proceedings arising out of this deed, service upon whom shall be deemed completed whether or not forwarded to or received by the other party.
- 11.2 The Seller agrees to inform the other party in writing of any change of address of such process agent within three (3) Business Days of such change.
- 11.3 If the Seller's process agent ceases to be able to act as such or to have an address in Hong Kong, the Seller irrevocably agrees to appoint a new process agent in Hong Kong acceptable to the Company and to deliver to the Company within five (5) Business Days a copy of a written acceptance of appointment by the process agent.
- 11.4 Nothing in this deed shall affect the right to serve process in any other manner permitted by law or the right to bring proceedings in any other jurisdiction for the purposes of the enforcement or execution of any judgment or other settlement in any other courts.

EXECUTION PAGES

EXECUTED as a deed on the date set out hereinbefore.

The Seller

EXECUTED as a Deed by)
 Eiichi Yoshikawa, Deputy President,)
 Chief Operating Officer – International)
 as duly authorised signatory)
 for and on behalf of)
 MUFG BANK, LTD.)
 in the presence of:) _____
 Director and duly authorised signatory

Witness

Name of Witness

The Purchaser

EXECUTED as a Deed by)
 _____ and) _____
) Director and duly authorised signatory
 _____)
 as directors and duly authorised signatories)
 for and on behalf of)
 DAH SING FINANCIAL HOLDINGS LIMITED)
 in the presence of:) _____
 Director and duly authorised signatory

Witness

Name of Witness



大新金融集團有限公司

DAH SING FINANCIAL HOLDINGS LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 440)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Dah Sing Financial Holdings Limited (the “**Company**”) will be held at 20th Floor, Island Place Tower, 510 King’s Road, North Point, Hong Kong on Friday, 15 March 2019 at 4:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolution as a special resolution. Unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 21 February 2019.

SPECIAL RESOLUTION

“**THAT:**

- (a) the terms of the agreed form of the Buy-back Deed (a copy of which is tabled at the Meeting and marked “A” and initialled by the chairman of the Meeting for identification purposes) proposed to be entered into between the Company and MUFG Bank, Ltd., pursuant to which MUFG Bank, Ltd. will transfer to the Company 15,500,000 Buy-back Shares on terms contained therein at a consideration of not more than HK\$591,635,000, be and are hereby approved; and
- (b) the Directors (or a duly authorised person hereof) be and are hereby authorised to take all such steps to implement and give effect to the Buy-back Deed and the transactions thereunder (including the execution of all documents or deeds as they may consider necessary or appropriate in relation thereto and the making of any changes, modifications, amendments, waivers, variations or extensions of such terms and conditions as they think fit).”

By Order of the Board
Dah Sing Financial Holdings Limited
Doris Wai-Nar Wong
Company Secretary

Hong Kong, 21 February 2019

As at the date of this notice, the board of directors of the Company comprises Messrs. David Shou-Yeh Wong (Chairman), Hon-Hing Wong (Derek Wong) (Managing Director and Chief Executive) and Gary Pak-Ling Wang (Deputy Chief Executive and Group Chief Financial and Operating Officer) as Executive Directors; Messrs. Eiichi Yoshikawa (Mr. Takayoshi Futae as alternate), Kenichi Yamato and John Wai-Wai Chow as Non-Executive Directors; Messrs. Robert Tsai-To Sze, Seiji Nakamura, Andrew Kwan-Yuen Leung, Paul Michael Kennedy and David Wai-Hung Tam as Independent Non-Executive Directors.

Notes:

1. A shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies, if holding two or more shares, to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company shall, in respect of such share, be entitled alone to vote in respect thereof.
3. The register of members of the Company will be closed from Tuesday, 12 March 2019 to Friday, 15 March 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. As such, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 11 March 2019 for the purpose of determining shareholders' eligibility to attend and vote at the Meeting.
4. A form of proxy for use at the Meeting is enclosed with the circular to the shareholders.
5. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, must be lodged at the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding of the Meeting (or the adjourned meeting as the case may be).
6. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the Meeting or any adjourned meeting, if he/she so wishes. If such shareholder attends and votes at the Meeting, his/her form of proxy is to be regarded as revoked.
7. The resolution set out above will be determined by way of a poll.
8. If typhoon signal no. 8 or above, or a "black" rainstorm warning is expected to be hoisted any time after 12 noon on the Meeting date, the Meeting will be postponed. The Company will publish an announcement on the websites of the Stock Exchange (www.hkexnews.hk) and Dah Sing Bank (www.dahsing.com) to notify members of the date, time and place of the rescheduled meeting.
9. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.