THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all of your shares in Dah Sing Banking Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

大新銀行集團有限公司
DAH SING BANKING GROUP LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
The holding company of Dah Sing Bank, Limited
(Stock Code: 2356)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO HONG KONG AND MACAU DISTRIBUTION AGREEMENTS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

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

中信證券 CITIC CLSA Securities

A letter from the Board is set out on pages 6 to 20 of this circular, a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 21 to 22 of this circular, and a letter from CITIC CLSA, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 55 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, 5 August 2016 at 4:30 p.m. is set out on pages 64 to 66 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy 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 in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

16 July 2016

CONTENTS

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

"associate(s)"	has the same meaning given to it under the Listing Rules
"BCM"	Banco Comercial de Macau, S.A., a company incorporated in Macau and an indirect wholly owned subsidiary of the Company
"Board"	the board of directors of the Company
"CITIC CLSA" or "Independent Financial Adviser"	CITIC CLSA Capital Markets Limited, a licensed corporation to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Distribution Agreements and the transactions contemplated thereunder
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company"	Dah Sing Banking Group Limited, the holding company of DSB and a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the ordinary shares of which are listed on the Stock Exchange (Stock Code: 02356)
"Comparable Life Insurance Companies"	in respect of a life-insurance product, the top five life insurers who are licensed in Hong Kong or Macau (as applicable) by market share measured by annual premium income for that life-insurance product type
"connected person(s)"	has the same meaning given to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Distribution Agreements"	the Hong Kong Distribution Agreement and the Macau Distribution Agreement
"DSB"	Dah Sing Bank, Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and a direct wholly owned subsidiary of the Company

"DSFH"	Dah Sing Financial Holdings Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the ordinary shares of which are listed on the Stock Exchange (Stock Code: 00440)
"DSFH Group"	DSFH and its subsidiaries from time to time
"DSIS"	Dah Sing Insurance Services Limited, a company incorporated in Hong Kong and a direct wholly owned subsidiary of DSFH as at the date of this circular
"DSLA"	Dah Sing Life Assurance Company Limited, a company incorporated in Bermuda and a direct wholly owned subsidiary of DSFH as at the date of this circular
"EGM"	an extraordinary general meeting of the Company to be convened and held at 20th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong on Friday, 5 August 2016 at 4:30 p.m. for the purpose of considering and, if thought fit, approving the Distribution Agreements and the transactions contemplated thereunder
"Everwin Enterprise"	Everwin Enterprise (Hong Kong) Limited, a limited liability company incorporated in Hong Kong and a wholly owned subsidiary of Thai Hot Investment, the original purchaser under the Share Sale Agreement whose rights and obligations were transferred and assigned to the Purchaser on 13 June 2016
"Fixed Payments"	the Hong Kong Fixed Payments and the Macau Fixed Payments
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Distribution Agreement"	the distribution agreement proposed to be entered into among DSLA, DSIS and DSB upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement

"Hong Kong Fixed Payments"	has the meaning given to it under the section headed "*THE HONG KONG DISTRIBUTION AGREEMENT – Consideration*" in the "Letter from the Board" contained in this circular
"Hong Kong Shares"	all of the issued shares in the share capital of each of DSLA and DSIS
"Hong Kong Variable Payments"	has the meaning given to it under the section headed "*THE HONG KONG DISTRIBUTION AGREEMENT – Consideration*" in the "Letter from the Board" contained in this circular
"Independent Board Committee"	the independent board committee of the Company comprising all the independent non-executive Directors, namely Messrs. Robert Tsai-To Sze, Andrew Kwan-Yuen Leung, Seng-Lee Chan and Yuen-Tin Ng, which has been established to advise the Independent Shareholders in respect of the terms of the Distribution Agreements and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders who are not prohibited under the Listing Rules from voting at the EGM to approve the Distribution Agreements and the transactions contemplated thereunder
"Latest Practicable Date"	12 July 2016, 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 in force for the time being
"Macau"	Macau Special Administrative Region of the People's Republic of China
"Macau Distribution Agreement"	the distribution agreement proposed to be entered into between MLIC and BCM upon completion of the sale of the Macau Shares under the Share Sale Agreement
"Macau Fixed Payments"	has the meaning given to it under the section headed "*THE MACAU DISTRIBUTION AGREEMENT*" in the "Letter from the Board" contained in this circular
"Macau Shares"	all of the issued shares in the share capital of MLIC

"Macau Variable Payments"	has the meaning given to it under the section headed "*THE MACAU DISTRIBUTION AGREEMENT*" in the "Letter from the Board" contained in this circular
"MIC"	Macau Insurance Company Limited, a company incorporated in Macau and an indirect non-wholly owned subsidiary of DSFH
"MLIC"	Macau Life Insurance Company Limited, a company incorporated in Macau and an indirect non-wholly owned subsidiary of DSFH as at the date of this circular
"New DSBG Option Scheme"	the share option scheme adopted by the Company on 27 May 2014
"New DSFH Option Scheme"	the share option scheme adopted by DSFH on 27 May 2015
"Old DSBG Option Scheme"	the share option scheme adopted by the Company on 12 June 2004 and terminated on 27 May 2014
"Old DSFH Option Scheme"	the share option scheme adopted by DSFH on 28 April 2005 and expired on 28 April 2015
"Purchaser"	Thaihot Investment (Bermuda) Company Limited, a limited liability company incorporated in Bermuda and a wholly owned subsidiary of Thai Hot Investment, whose rights and obligations under the Share Sale Agreement were transferred and assigned to it by Everwin Enterprise on 13 June 2016
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary shares in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Sale Agreement"	the share sale agreement dated 2 June 2016 entered into among DSFH, MIC and Everwin Enterprise (whose rights and obligations under the agreement were transferred and assigned to the Purchaser on 13 June 2016) in relation to the sale of the Hong Kong Shares and the Macau Shares, details of which can be referred to in the DSFH announcement dated 2 June 2016

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Thai Hot Group"	Thai Hot Investment and its subsidiaries from time to time
"Thai Hot Investment"	Fujian Thai Hot Investment Co., Ltd., a limited liability company incorporated in the People's Republic of China and the parent company of the Purchaser
"Variable Payments"	the Hong Kong Variable Payments and the Macau Variable Payments
"%"	per cent.

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***Executive Directors*:**
David Shou-Yeh Wong *(Chairman)*
Hon-Hing Wong (Derek Wong) *(Vice Chairman)*
Harold Tsu-Hing Wong
(Managing Director and Chief Executive)
Gary Pak-Ling Wang

Non-Executive Director:
Shoji Hirai

Independent Non-Executive Directors:
Robert Tsai-To Sze
Andrew Kwan-Yuen Leung
Seng-Lee Chan
Yuen-Tin Ng

Registered Office:
36th Floor
Dah Sing Financial Centre
108 Gloucester Road
Hong Kong

16 July 2016

To the Shareholders and, for information only,
the option holders of the Old DSBG Option Scheme

Dear Sir/Madam,

CONNECTED TRANSACTIONS AND
CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO HONG KONG AND MACAU DISTRIBUTION AGREEMENTS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

1 INTRODUCTION

Reference is made to the announcement of the Company dated 2 June 2016 relating to the connected transactions and the continuing connected transactions in respect of the Distribution Agreements.

On 2 June 2016, DSFH and MIC entered into the Share Sale Agreement with Everwin Enterprise, pursuant to which DSFH and MIC conditionally agreed to sell (or procure the sale of), and Everwin Enterprise conditionally agreed to purchase, the entire issued share capital of (i) DSLA, which is principally engaged in the underwriting of life-insurance in Hong Kong; (ii) DSIS, which acts as the general agent of DSLA in Hong Kong; and (iii) MLIC, which is principally engaged in the underwriting of life-insurance in Macau. Everwin Enterprise subsequently transferred and assigned its rights and obligations under the Share Sale Agreement to the Purchaser in accordance with the terms of the Share Sale Agreement on 13 June 2016.

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

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

The purpose of this circular is to provide you with, among other things, (i) further information regarding the Distribution Agreements and the transactions contemplated thereunder; (ii) the advice from CITIC CLSA to the Independent Board Committee and the Independent Shareholders in relation to the Distribution Agreements and the transactions contemplated thereunder; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Distribution Agreements and the transactions contemplated thereunder; and (iv) the notice of the EGM.

Please note that the Distribution Agreements, the material terms of which are set out in this circular, are in unsigned agreed form. The Company will re-comply with the relevant Listing Rules requirements where necessary if there are any subsequent material variations to the terms of the agreed form Distribution Agreements after they have been approved by the Independent Shareholders.

2 THE HONG KONG DISTRIBUTION AGREEMENT

Date

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

Parties

(i) DSLA;

(ii) DSIS; and

(iii) DSB.

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

Term

15 years

Subject Matter

Under the Hong Kong Distribution Agreement:

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

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

Exceptions from exclusivity

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

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

(ii) any business plan drawn up by the working committee to be established by DSB and DSLA indicates that such life-insurance product is not intended to be offered in Hong Kong for all or any part of the term of such plan;

(iii) DSLA fails to manufacture or provide such life-insurance product which it was to provide pursuant to a business plan drawn up by the working committee to be established by DSB and DSLA, in accordance with such plan;

(iv) DSLA fails to supply new or modified life-insurance products within the prescribed time frames;

(v) such life-insurance product is not competitive or conflicts with DSB's standards and practices and DSLA has declined or failed to cure the relevant deficiency;

(vi) without the prior written consent of DSB, DSLA introduces a sales cap or suspends the offering of such life-insurance product;

(vii) the exclusivity conflicts with contracts taken over following an acquisition by DSB;

(viii) the terms of the Hong Kong Distribution Agreement are suspended as a consequence of any event beyond the reasonable control of the parties;

(ix) payment of commission by DSLA to DSB under the Hong Kong Distribution Agreement is prohibited or restricted by applicable laws; or

(x) DSLA declines or is unable to provide the customers of DSB's retail banking division with life-insurance products, or agrees to provide such life-insurance products but not on terms which are acceptable to such customers.

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

Consideration

Hong Kong Fixed Payments

DSLA shall make an upfront payment in the amount of HK$1,972,000,000 and 10 equal deferred payments in the amount of HK$52,800,000 each to DSB (collectively, the "**Hong Kong Fixed Payments**") in consideration of the exclusivity provided by DSB in respect of the distribution of DSLA's life-insurance products in Hong Kong. Such payments were determined after arm's length negotiations between the parties to the

Hong Kong Distribution Agreement, after taking into account the relevant payments in similar transactions, particularly in respect of the amount of payment per customer and the amount of payment in relation to the current commission income received.

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

Hong Kong Variable Payments

DSLA shall pay commission to DSB in respect of all insurance premiums received by DSLA for the life-insurance products which are sold through DSB's distribution channels in Hong Kong. The commission rate is specified as a percentage of the first year premium under the Hong Kong Distribution Agreement, ranging between 3% and 52% of the first year premium received in respect of each of the 68 insurance product varieties, plus an additional payment of up to 24% of the renewal premium in respect of 44 out of the 68 insurance product varieties with renewal commission. The commission rates were determined after arm's length negotiations between the parties to the Hong Kong Distribution Agreement by reference to the commission rates under the existing distribution arrangements. The commission rates in respect of each life-insurance product shall be consistent with the rates payable from time to time in respect of similar products distributed by other Comparable Life Insurance Companies operating in Hong Kong in the same or similar distribution channels as DSB. The commission rates will initially be fixed and maintained until not later than 31 December 2017. Thereafter, the commission rates may be revised by DSLA and DSB from time to time.

DSLA shall also make a production, marketing and sales payment (together with the payment of commission, the "**Hong Kong Variable Payments**") to DSB in respect of the insurance premiums received by DSLA in each quarter. The rate of payment was determined after arm's length negotiations between the parties to the Hong Kong Distribution Agreement by reference to the historical total production and tactical bonus and the sales and marketing allowance under the existing distribution arrangements and is calculated as a percentage of the annualised first year commissions received by DSB during the relevant quarter. The initial rate will be 60% and will apply until not later than 31 December 2017. Thereafter, such rate may be revised by DSLA and DSB on an annual basis.

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

Governance

DSLA and DSB will establish and maintain a working committee and a steering committee during the term of the Hong Kong Distribution Agreement.

The working committee is responsible for coordinating the day-to-day activities under the distribution arrangement, including preparing annual business plans, overseeing the implementation of strategies, implementing strategy and guidelines relating to product branding, conducting competitive review on insurance products and escalating any material issues or disputes to the steering committee. The working committee comprises no more than eight members and should have equal number of members from DSLA and DSB. The working committee meetings will be held once every month during the term of the Hong Kong Distribution Agreement.

The steering committee is responsible for making strategic decisions on the distribution arrangement, including approving annual business plans, addressing and resolving any material issues or disputes, and updating the strategy and guidelines relating to product branding. The steering committee comprises no more than eight members and should have up to four members each from DSLA and DSB. Unless otherwise agreed, the steering committee meetings will be held at least once every three months during the term of the Hong Kong Distribution Agreement.

3 THE MACAU DISTRIBUTION AGREEMENT

The major terms of the Macau Distribution Agreement are identical to those of the Hong Kong Distribution Agreement, except that: (i) the parties to it will be MLIC and BCM; (ii) it will relate to the distribution of life-insurance products in Macau; and (iii) the amount of the upfront payment and the deferred payments and the initial rates of commission and the production, marketing and sales payment are as follows (such payments are referred to as the "**Macau Fixed Payments**" and the "**Macau Variable Payments**"):

Consideration

Upfront payment:	HK$97,000,000 (of which HK$10,000,000 was paid by way of a deposit by the Thai Hot Group by the date of the Share Sale Agreement)
Deferred payments:	HK$300,000 per annum for ten years, commencing on the first anniversary and ending on the tenth anniversary of the Macau Distribution Agreement

Commission rates:	a specified rate under the Macau Distribution Agreement ranging between 10% and 47.8% of the first year premium received in respect of each of the 56 insurance product varieties. An additional payment of up to 15% of the renewal premium is also available for each of the 29 insurance product varieties with renewal commission. The commission rates were determined after arm's length negotiations between the parties to the Macau Distribution Agreement by reference to the commission rates under the existing distribution arrangements. The commission rates in respect of each life-insurance product shall be consistent with the rates payable from time to time in respect of similar products distributed by other Comparable Life Insurance Companies operating in Macau in the same or similar distribution channels as BCM.
Production, marketing and sales payment rate:	60%, determined after arm's length negotiations between the parties to the Macau Distribution Agreement after considering the historical total production and tactical bonus and the sales and marketing allowance under the existing distribution arrangements.

The review mechanism for the rates of the commission and the production, marketing and sales payment as described under the section headed "*THE HONG KONG DISTRIBUTION AGREEMENT – Consideration*" above will also apply to the Macau Distribution Agreement.

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

4 PRICING MECHANISM FOR THE VARIABLE PAYMENTS CONTEMPLATED UNDER THE DISTRIBUTION AGREEMENTS

Commission

The details relating to the commission payments under the existing distribution arrangements are as follows:

(i) DSLA pays commission to DSB in respect of all insurance premiums received by DSLA for the life-insurance products which are sold through DSB's distribution channels in Hong Kong. The commission rates were between 1% and 50% of the first year premium received, plus up to 24% of the renewal premium in respect of certain policies depending on the product variety as disclosed in the Company's announcement dated 30 December 2013. The commission rates were subsequently updated after the Company performed a product competitiveness review in 2016, to between 3% and 52% of the first year premium received, plus up to 24% of the renewal premium; and

(ii) MLIC pays commission to BCM in respect of all insurance premiums received by MLIC for the life-insurance products which are sold through BCM's distribution channels in Macau. The commission rates were between 13.5% and 35% of the first year premium received in respect of certain policies depending on the product variety as disclosed in the Company's announcement dated 30 December 2013. The commission rates were subsequently updated after the Company performed a product competitiveness review for 2016, to between 10% and 47.8% of the first year premium received, plus up to 15% of the renewal premium.

Such commission rates were determined after arm's length negotiations between the parties to the existing distribution arrangements in Hong Kong and Macau, having regard to the features and pricing of the insurance products, including premium payable and duration of insurance protection, and the relevant market data. The commission rates in respect of the Distribution Agreements are consistent with the commission rates currently in effect under the existing distribution arrangements.

Upon completion of the sale of the Hong Kong Shares and the Macau Shares, the commission rates under the Distribution Agreements will initially be fixed and maintained until not later than 31 December 2017. Thereafter, the commission rates under the Distribution Agreements may be revised by the respective working committee and steering committee from time to time based on competitiveness of the life-insurance products, by comparing and reviewing the pricing and terms of other similar products distributed by other Comparable Life Insurance Companies operating in Hong Kong or Macau in the same or similar distribution channels as DSB or BCM (as the case may be). In addition, if the commission rates for a specific life-insurance product are considered not to be competitive, each of DSB and BCM has the right to request a review of the product's competitiveness by the relevant steering committee, which may result in a revision of the product's commission rates, the development of a substitute competitive product, or such other acceptable alternatives as may be mutually agreed. If the relevant steering committee is unable to reach a consensus, any party under the relevant Distribution Agreement may invite an independent expert to consider and make a determination on the competitiveness of the life-insurance product. In the event that the competitiveness of the life-insurance product is not restored or a mutual agreement cannot be reached, DSB or BCM will have the right to source a similar competitive life-insurance product from alternative insurers.

Production, marketing and sales payment

In addition to commission payments, DSB and BCM are entitled to (i) a production and tactical bonus; and (ii) a sales and marketing allowance based on the insurance premium received by DSLA or MLIC (as the case may be) and the annualised first year commissions received by DSB or BCM (as the case may be). The production and tactical bonus is a bonus which is payable based on the level of bancassurance business generated (production bonus) and certain tactical targets being achieved (tactical bonus) by DSB and BCM respectively. Under the existing distribution arrangements, the production bonus is calculated based on the annualised first year commissions received by DSB or BCM (as the case may be), while the tactical bonus is determined based on the total premiums received from whole life insurance products as well as the annualised first year commissions received from protection products. The sales and marketing allowance is used to support the sales and marketing initiatives and activities of DSB and BCM in relation to the bancassurance business, which includes allowance for premium discounts, marketing campaigns, and various incentive programs for the sales staff of DSB and BCM. In 2014 and 2015, the aggregate production and tactical bonus and sales and marketing allowance under the existing distribution arrangement in Hong Kong amounted to 62.8% and 61.9% of the annual commission income, respectively. No material production and tactical bonus or sales and marketing allowance was granted under the existing distribution arrangement in Macau in 2014 and 2015.

Upon completion of the sale of the Hong Kong Shares and the Macau Shares, DSLA and MLIC shall respectively make the production, marketing and sales payment to DSB and BCM (as the case may be) in respect of the insurance premiums received by DSLA and MLIC in each quarter in place of the production and tactical bonus and the sales and marketing allowance under the existing distribution arrangements. Such payments were determined after arm's length negotiations between the parties to the Distribution Agreements and are calculated as a percentage of the annualised first year commissions received by DSB and BCM (as the case may be) during the relevant quarter. The initial rate of 60% was determined with reference to the historical total production and tactical bonus and the sales and marketing allowance, such that the Company will continue to receive a similar level of variable payments after the sale of the Hong Kong Shares and the Macau Shares. The initial rate of 60% will apply until not later than 31 December 2017. Thereafter, such rate may be revised on an annual basis.

Based on the above, the Directors are of the view that the mechanism and procedures adopted can ensure that the transactions contemplated under the Distribution Agreements will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

5 HISTORICAL AMOUNTS AND PROPOSED ANNUAL CAPS

For illustration purposes, the table below sets out a comparison of the historical annual caps for the years ended 31 December 2014 and 2015 and for the year ending 31 December 2016, the relevant historical figures of the Group for the years ended 31 December 2014 and 2015 and for the five months ended 31 May 2016, and the proposed cap for the fourth quarter of the year ending 31 December 2016 and the annual cap for the year ending 31 December 2017, in respect of the commissions and fees received by, and expenses reimbursed to, the Group from various members of the DSFH Group. The historical figures below are in respect of the aggregate commissions and fees received by, and expenses reimbursed to, the Group from DSIS, Dah Sing Insurance Agency Limited, MLIC and MIC under the existing life insurance distribution agreements (including the underlying agency agreements), the existing general insurance distribution agreements (including the underlying agency agreements) and the cooperation agreements, whereas the future annual caps are in respect of the Variable Payments under the Distribution Agreements only.

The proposed annual caps for the Hong Kong Variable Payments payable under the Hong Kong Distribution Agreement are HK$45,000,000 for the year ending 31 December 2016 (such amount, calculated on a pro rata basis in respect of the fourth quarter of the year 2016 only, will only apply once the Hong Kong Distribution Agreement becomes effective) and HK$210,000,000 for the year ending 31 December 2017 respectively.

The proposed annual caps for the Macau Variable Payments payable under the Macau Distribution Agreement are HK$3,000,000 for the year ending 31 December 2016 (such amount, calculated on a pro rata basis in respect of the fourth quarter of the year 2016 only, will only apply once the Macau Distribution Agreement becomes effective) and HK$15,000,000 for the year ending 31 December 2017 respectively.

Commissions and fees received by, and expenses reimbursed to, the Group from various members of the DSFH Group	Historical Annual Caps (Note 1)			Historical Figures (Notes 1, 2)			Future Annual Caps (Note 3)	
(HK$ million)	Year ended 31 Dec 2014	Year ended 31 Dec 2015	Year ending 31 Dec 2016	Year ended 31 Dec 2014	Year ended 31 Dec 2015	For the five months ended 31 May 2016	For the 4th Quarter of the year ending 31 Dec 2016	Year ending 31 Dec 2017
Aggregate	148.0	148.0	148.0	115.0	133.4	72.4	48.0 (Note 4)	225.0
Life business				101.4	118.3	65.1		
Non-life business				13.6	15.1	7.3		

Notes:

(1) The historical annual caps and historical figures are in respect of the aggregate commissions and fees received by, and expenses reimbursed to, the Group from DSIS, Dah Sing Insurance Agency Limited, MLIC and MIC under the existing life and general insurance distribution agreements, the respective underlying agency agreements and the cooperation agreements. Please refer to the announcement of the Company dated 30 December 2013 in respect of the continuing connected transactions for details on the historical annual caps.

(2) The historical figures in respect of 2014 and 2015 are based on the audited financial statements of the Group. The historical figures in respect of the five months ended 31 May 2016 are based on the unaudited consolidated financial statements of the Company.

(3) The future annual caps are in respect of the Variable Payments under the Distribution Agreements only.

(4) The future annual cap for the year ending 31 December 2016 proposed by the Company is calculated on a pro rata basis in respect of the fourth quarter of the year 2016 only. It will only apply once the Distribution Agreements are entered into and becoming effective.

The proposed annual caps are determined after taking into account:

(i) ***The historical amounts of commissions and fees received by, and expenses reimbursed to, the Group from various members of the DSFH Group*** – the historical commissions and fees received by, and expenses reimbursed to, the Group from various members of the DSFH Group in 2014, 2015 and the first five months of 2016, are used as a baseline for estimation and are adjusted for the expected growth and the other factors set out below. The proposed annual cap for the Variable Payments payable under the Distribution Agreements for the year ending 31 December 2016 of HK$48,000,000 is in respect of the fourth quarter of the year 2016 only (which will apply once the Distribution Agreements are effective), as it is anticipated that the sale of the Hong Kong Shares and the Macau Shares will not be completed before such time.

(ii) ***The management's expectation of business growth in 2016 and 2017*** – the commissions and fees received by, and expenses reimbursed to, the Group from various members of the DSFH Group were growing in 2014, 2015 and the first five months of 2016. Based on the budgeted increase in the volume of products distributed, the introduction of new products and revision of existing products, and the Group's strategy to continue its focus on promoting insurance products to customers going forward, it is expected that the business will continue to grow in the future. Such expected growth is factored into the proposed annual caps.

(iii) ***The intended close cooperation between the Purchaser and the Group following completion of the sale of the Hong Kong Shares and the Macau Shares*** – the Purchaser and the Group are motivated to achieve strong results, given each is interested in a clear and on-going relationship with the other in agreeing to enter into the Distribution Agreements. The Company has set out in the Distribution Agreements a mechanism for ongoing cooperation with the Purchaser which is designed to facilitate the growth of the bancassurance business and the smooth transition and workflow following the completion of the sale of the Hong Kong Shares and the Macau Shares. This alignment of the interests of the Purchaser and the Group to achieve strong results under the Distribution Agreements, combined with the benefit of the intended close cooperation, provides a higher level of confidence in the expectation of continued business growth over time.

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

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

7 INFORMATION ON THE COMPANY AND THE PARTIES

The Company

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

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

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

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

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

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

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

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

8 IMPLICATIONS OF THE LISTING RULES

As Everwin Enterprise, whose rights and obligations under the Share Sale Agreement were transferred and assigned to the Purchaser on 13 June 2016, has (i) entered into the Share Sale Agreement with DSFH (a substantial shareholder of the Company); and (ii) proposed to enter into the Hong Kong Distribution Agreement with DSB through DSFH's currently wholly owned subsidiaries DSLA and DSIS, and the Macau Distribution Agreement with BCM through DSFH's currently non-wholly owned subsidiary MLIC, Everwin Enterprise (and now the Purchaser) has been deemed by the Stock Exchange to be a connected person of the Company at the point in time of entering into, and proposing to enter into, these respective agreements, pursuant to Rules 14A.19 and 14A.20 of the Listing Rules.

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

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

While some of the Directors (including one of the independent non-executive Directors) also act as directors of DSFH and Mr. David Shou-Yeh Wong is interested in 137,285,682 ordinary shares in DSFH as at the Latest Practicable Date (representing approximately 40.97% of the total number of issued shares of DSFH), the details of which are set out in the section headed "*DISCLOSURE OF INTERESTS*" in the appendix to this circular, none of the Directors with common directorship of both DSFH and the Company has been involved in the negotiation of the Distribution Agreements with the Thai Hot Group, nor will any Director derive personal gains from the Company entering into the Distribution Agreements. Accordingly, none of the Directors (including the independent non-executive Directors) has a material interest in the Distribution Agreements and the transactions contemplated thereunder, nor is any Director required to abstain from voting in the relevant board resolutions approving the Distribution Agreements. The resolutions of the Board (and the Independent Board Committee) approving the Distribution Agreements and the transactions contemplated thereunder have been passed in accordance with the Articles of Association of the Company.

9 EGM

The EGM will be convened and held at 20th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong on Friday, 5 August 2016 at 4:30 p.m. for the purpose of considering and, if thought fit, approving the Distribution Agreements and the transactions contemplated thereunder. A notice convening the EGM is set out on pages 64 to 66 of this circular.

A form of proxy for use at the EGM is enclosed. The related form of proxy can also be downloaded from the Company's website (www.dahsing.com) or the Stock Exchange's website (www.hkexnews.hk). Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's share registrar in Hong Kong, 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 holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

As at the Latest Practicable Date, DSFH was interested in approximately 74.56% of the issued shares of the Company. Since DSFH has (i) entered into the Share Sale Agreement with Everwin Enterprise (now the Purchaser); and (ii) proposed to enter into the Hong Kong Distribution Agreement with DSB through DSFH's currently wholly owned subsidiaries DSLA and DSIS, and the Macau Distribution Agreement with BCM through DSFH's currently non-wholly owned subsidiary MLIC, DSFH and its associates will abstain from voting at the EGM in respect of the resolution on the Distribution Agreements and the transactions contemplated thereunder. Save as disclosed above, to the best knowledge, information and belief of the Directors and having made reasonable enquiries, no other Shareholder is involved in or interested in the Distribution Agreements such that they are required to abstain from voting on the relevant resolution at the EGM to approve the Distribution Agreements and the transactions contemplated thereunder.

10 RECOMMENDATION

While one of the independent non-executive Directors also acts as a director of DSFH, he will not derive any personal gains from the Company entering into the Distribution Agreements and he does not have any interest in the Distribution Agreements and the transactions contemplated thereunder. Accordingly, the Independent Board Committee comprising all of the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Distribution Agreements and the transactions contemplated thereunder and to advise the Independent Shareholders on whether to vote in favour of the relevant resolution to be proposed at the EGM to approve the Distribution Agreements and the transactions contemplated thereunder.

CITIC CLSA has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Board (including the independent non-executive Directors whose views are set out in the "Letter from the Independent Board Committee" in this circular after taking into account the advice from CITIC CLSA) considers that the terms of the Distribution Agreements and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms in the ordinary and usual course of business and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends that the Independent Shareholders vote in favour of the relevant resolution to be proposed at the EGM to approve the Distribution Agreements and the transactions contemplated thereunder.

11 ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 21 to 22 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 23 to 55 of this circular which contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

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

Yours faithfully,
For and on behalf of the Board of
Dah Sing Banking Group Limited
David Shou-Yeh Wong
Chairman

大新銀行集團有限公司
DAH SING BANKING GROUP LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
The holding company of Dah Sing Bank, Limited
(Stock Code: 2356)

16 July 2016

To the Independent Shareholders

Dear Sir/Madam,

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

We refer to the circular to the Shareholders (the "**Circular**") of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors who are independent of the parties to the Distribution Agreements and not having any interest in the transactions contemplated under the Distribution Agreements, we have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Distribution Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned.

CITIC CLSA has been appointed by the Company as the Independent Financial Adviser to advise you and us in this regard. Details of its advice, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 23 to 55 of the Circular. Your attention is also drawn to the "Letter from the Board" set out on pages 6 to 20 of the Circular and the additional information set out in the appendix to the Circular.

Having considered the terms of the Distribution Agreements and the transactions contemplated thereunder, and having taken into account the opinion of and the principal factors and reasons considered by CITIC CLSA as stated in its letter of advice, we consider that the terms of the Distribution Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned, are on normal commercial terms in the ordinary and usual course of business and are in the interests of the Company and its Shareholders as a whole. We therefore recommend that the Independent Shareholders vote in favour of the relevant resolution to be proposed at the EGM to approve the Distribution Agreements and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee

Seng-Lee Chan *Independent Non-Executive Director*	**Andrew Kwan-Yuen Leung** *Independent Non-Executive Director*	**Yuen-Tin Ng** *Independent Non-Executive Director*	**Robert Tsai-To Sze** *Independent Non-Executive Director*

The following is the text of a letter of advice from CITIC CLSA, the Independent Financial Adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of the Distribution Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in the Circular.

中信證券 CITIC CLSA Securities

18th Floor,
One Pacific Place,
88 Queensway, Hong Kong

16 July 2016

To: The Independent Board Committee and the Independent Shareholders

Dear Sir,

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

1. INTRODUCTION

We refer to the transaction contemplated under the Distribution Agreements (the "**Transaction**"), details of which are contained in the circular of the Company dated 16 July 2016 (the "**Circular**") of which this letter forms a part. CITIC CLSA has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the transactions contemplated under the Hong Kong Distribution Agreement and the Macau Distribution Agreement (collectively, the "**Distribution Agreements**") are fair and reasonable in so far as the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and whether the Proposed Caps for the three months ending 31 December 2016 and the year ending 31 December 2017 are fair and reasonable, and to advise the Independent Shareholders on how they should vote in relation to the entering into of the Distribution Agreements at the EGM. This letter has been prepared and delivered for the above purpose and for no other reasons or purposes.

The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 2 June 2016, Everwin Enterprise entered into the Share Sale Agreement with DSFH (a substantial shareholder of the Company) and MIC (an indirect non-wholly owned subsidiary of DSFH). The rights and obligations of Everwin Enterprise were transferred and assigned to the Purchaser on 13 June 2016. Upon completion of the sale of the Hong Kong Shares under the Share Sale Agreement, DSB (a direct wholly owned subsidiary of the Company) proposes to enter into the Hong Kong Distribution Agreement with DSLA and DSIS pursuant to which: (i) DSLA and DSIS will agree to appoint DSB as its non-exclusive insurance agent for distribution of life-insurance products in Hong Kong; and (ii) DSB will agree to appoint DSLA as its exclusive supplier of life-insurance products in Hong Kong to its retail customers. Upon completion of the sale of the Macau Shares, BCM (an indirect wholly owned subsidiary of the Company) proposes to enter into the Macau Distribution Agreement with MLIC, pursuant to which: (i) MLIC will agree to appoint BCM as its non-exclusive insurance agent for distribution of life-insurance products in Macau; and (ii) BCM will agree to appoint MLIC as its exclusive supplier of life-insurance products in Macau to its retail customers.

As Everwin Enterprise, whose rights and obligations under the Share Sale Agreement were transferred and assigned to the Purchaser on 13 June 2016, has (i) entered into the Share Sale Agreement with DSFH (a substantial shareholder of the Company); and (ii) proposes to enter into the Hong Kong Distribution Agreement with DSB through DSFH's currently wholly owned subsidiaries DSLA and DSIS, and the Macau Distribution Agreement with BCM through DSFH's currently non-wholly owned subsidiary MLIC, Everwin Enterprise (and now the Purchaser) has been deemed by the Stock Exchange to be a connected person of the Company at the point in time of entering into, and proposing to enter into the respective agreements, pursuant to Rule 14A.19 and 14A.20 of the Listing Rules.

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

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

As the proposed term of the Distribution Agreements will exceed three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed us as the Independent Financial Adviser to explain the reasons for requiring a term exceeding three years and to confirm whether it is a normal business practice for similar types of contracts.

Please note that the Distribution Agreements, the material terms of which are set out in this letter, are in unsigned agreed form. The Company will re-comply with the relevant Listing Rules requirements where necessary if there are any subsequent material variations to the terms of the agreed form Distribution Agreements after they have been approved by the Independent Shareholders.

The Independent Board Committee, comprising all of the Company's independent non-executive Directors, namely Mr. Robert Tsai-To Sze, Mr. Andrew Kwan-Yuen Leung, Mr. Seng-Lee Chan and Mr. Yuen-Tin Ng, has been established and will, among other things, consider and advise the Independent Shareholders on the terms of the Transaction.

As at the Latest Practicable Date, we are not associated with the Company, the Board, the Purchaser, the Controlling Shareholders or their respective core connected persons or close associates, and do not have any shareholding in any member of the Group or right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group that would reasonably be considered to affect our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, as at the Latest Practicable Date, no arrangements exist whereby we will receive any fees or benefits from the Company, the Board, the Purchaser, the controlling shareholders or their respective core connected persons or close associates that would reasonably be considered to affect our independence.

2. BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things, the announcement of the Company dated 2 June 2016, the Share Sale Agreement, the Distribution Agreements and the annual report of the Company for the year ended 31 December 2015.

We have relied on the information and facts supplied to us, and the opinion expressed, by the Company (including the Directors and the Company's other advisers) and the interview and discussion with the management of the Company, and have assumed, without independent verification, that any information and representations made to us are accurate and complete in all respects as at the date hereof and that they may be relied upon, and we have not assumed any responsibility or liability therefor. In relying on financial analyses and forecasts provided to us, we have assumed that they have been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by the management of the Company and the Directors. We consider that, in order to provide a reasonable basis for our advice, we have taken reasonable steps and performed sufficient work in compliance with Rule 13.80 of the Listing Rules (including the notes thereto). We have also assumed that all information, representations and opinions contained or referred to in the Circular and provided to us by the Company are accurate and complete in all respects, fair and reasonable and, accordingly, we have relied on them and we have not assumed any responsibility or liability therefor.

We have been advised by the Company that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us as inaccurate, incomplete or misleading. We have no reason to doubt the accuracy and completeness of the information and representations provided to us by the Company. The Directors have all declared in a responsibility statement set out in "Appendix – General Information" of the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained in the Circular (includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company) and confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, opinions expressed and information contained in the Circular have been arrived at after due and careful consideration, is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading. We believe that we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, conducted any independent in-depth investigation into the business of DSB, DSLA, DSIS, BCM and MLIC.

Our opinion and recommendation is necessarily based on the legal and regulatory environment, economic market and other conditions as in effect on, and the information made available to us as at, the date hereof. It should be understood that subsequent developments (including any material deviations from the financial analyses and forecasts provided to us) may affect and/or change this opinion and that we do not have any obligation to update, revise or reaffirm this opinion and recommendation.

Our opinion and recommendation is subject to the following qualifications:

(a) we are instructed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Distribution Agreements. As such, the scope of our review, and consequentially, our opinion, is limited by reference to the financial aspects of the Distribution Agreements and does not include any statement or opinion as to the legal aspects or otherwise of the Distribution Agreements;

(b) it is not possible to confirm whether or not the Distribution Agreements are in the interest of each individual Independent Shareholder and each Independent Shareholder should consider his/her/its vote (or other decision) on the merits or otherwise of the Distribution Agreements in its own circumstances and from his/her/its own point of view having regard to all the circumstances (and not only the financial perspectives offered in this letter) as well as his/her/its own investment objectives;

(c) we express no opinion as to whether the Distribution Agreements will be completed nor whether they will be successful;

(d) nothing contained in this letter should be construed as us expressing any view as to the trading price or market trends of any securities of the Company at any particular time; and

(e) nothing contained in this letter should be construed as a recommendation to hold, sell or buy any securities of the Company.

We were not requested to and did not provide advice concerning the structure, the specific amount of the consideration, the timing, pricing, size, feasibility or any other aspects of the Distribution Agreements, or to provide services other than the delivery of this letter. We did not participate in negotiations with respect to the terms of the Distribution Agreements.

3. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Transaction, we have taken into account the following principal factors and reasons:

3.1 Background to and Reasons for the Transaction

3.1.1 Background of the Group and the Company

The Group is engaged in the provision of banking and financial services to individuals and corporate customers in Hong Kong and Macau. Banking and financial services include deposits, residential mortgage lending, personal loans, overdrafts, and credit card services, insurance sales and investment services for individual customers and deposits, loan, working capital financing services and trade financing services to commercial, industrial, and institutional customers. The Group is also involved in property investment and securities dealing activities. The Group has a branch network of 45 branches, 21 VIP centres, 35 securities centres, and phone banking service and internet/mobile channels. DSFH is the controlling shareholder of the Company, holding 74.56% equity interest in the Company as at the Latest Practicable Date.

Based on the Group's 2015 annual report, the Group's strategy on personal banking business is to execute customers' needs by upgrading their VIP platform and using banking service bundle to meet the needs of the target customer segments. Such platform should be able to offer a comprehensive range of financial products and services to target customers. The Group has noticed increasing demand for insurance products over the past years. Having invested considerable resources in enhancing the platform to distribute more financial products, including life-insurance products, the Group has recorded an increase in the fee and commission income from insurance distribution and others from HK$72.7 million in 2013 to HK$111.2 million in 2015.

As disclosed in the announcement of the Company dated 2 June 2016, DSFH and MIC entered into the Share Sale Agreement with Everwin Enterprise for the disposal of (i) DSLA, which is principally engaged in the underwriting of life-insurance in Hong Kong, (ii) DSIS, which is acting as the general agent of DSLA in Hong Kong and (iii) MLIC, which is principally engaged in the underwriting of life-insurance in Macau. The Share Sale Agreement is conditional upon, among others, the passing at a shareholder meeting of the Company of a resolution to approve the entry into of the Distribution Agreements.

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

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

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

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

MLIC is an indirect non-wholly owned subsidiary of DSFH and will be a wholly owned subsidiary of the Purchaser upon completion of the Share Sale Agreement. It is an authorised insurance company in Macau and is principally engaged in the underwriting of life insurance in Macau.

DSB has been appointed via DSIS as DSLA's distributor of various life-insurance products since 1993 and BCM has been appointed as MLIC's distributor of various life-insurance products since 1997. During the respective periods, DSB and BCM have been distributing to their retail customers life-insurance products from only DSLA and MLIC, respectively. The existing distribution agreement and agency agreement entered into by DSIS (as an agent of DSLA) and DSB will be terminated on the same day as the signing of the Hong Kong Distribution Agreement. The existing distribution agreement and agency agreement entered into by MLIC and BCM will be terminated on the same day as the signing of the Macau Distribution Agreement.

3.1.2 Reasons for the Transaction

By entering into the Distribution Agreements, the Directors believe that the Company will continue to be able to provide a range of life assurance products and services to its retail customers. The opportunity to form a long-term bancassurance partnership with DSLA and MLIC, under the ownership of a reputable business conglomerate in the People's Republic of China (the "**PRC**"), will also allow the Company to continue to develop its bancassurance business and its customer base.

The Board (including the independent non-executive Directors whose views are set out in the "Letter from the Independent Board Committee" in this Circular after taking into account of the advice from CITIC CLSA) considers that the terms of the Distribution Agreements and the transactions contemplated thereunder are fair and reasonable in so far as the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

3.2 Overview of Life Insurance Industry

3.2.1 Overview of Hong Kong Life Insurance Industry

As of 8 June, 2016, there were 63 authorised companies in the long-term life and annuity insurance sector in Hong Kong, of which 30 companies were from Hong Kong and 33 were from overseas. Between 2013 and 2015, the premium and the premium growth rate are shown in Table 1 below.

Table 1. Premium and Premium Growth Rate between 2013 and 2015

	2013	**2014**	**2015**
Single Revenue Premium (HK$'m)*(1)	44,175	60,007	63,733
Growth Rate (%)	–	*35.8%*	*6.2%*
Annualised Premium (HK$'m)*(2)	48,127	53,578	67,123
Growth Rate (%)	–	*11.3%*	*25.3%*
New Business Premium (HK$'m)*(3)	52,545	59,579	73,496
Growth Rate (%)	–	*13.4%*	*23.4%*
Gross Premium (HK$'m)	144,847	173,164	204,352
Growth Rate (%)	–	*19.5%*	*18.0%*

**Source:* Office of the Commissioner of Insurance, Hong Kong

Notes:

(1) Single Revenue Premium represents premium received from single premium policies, which require only a single lump sum payment from the policyholders.

(2) Annualised Premium represents the total amount of premium paid annually for insurance policies, which can be paid monthly, quarterly, semi-annually or annually over a period of years.

(3) Measured by APE; APE = Annualised Premium Equivalent + (Single Revenue Premium x 10%).

The market size (measured by APE) of the Hong Kong life insurance sector had been constantly growing between 2013 and 2015. According to Table 1, the growth of APE had accelerated between 2013 and 2015, growing by 39.9% from HK$52,545 million in 2013 to HK$73,496 million in 2015, which was primarily contributed by the growth in annualised premium.

The market share of the Hong Kong life insurance industry (ranked by APE) between 2013 and 2015 is shown in Table 2 below.

Table 2. Hong Kong Life Insurer Market Share between 2013 and 2015

	2013		**2014**		**2015**	
	Company	**Market Share**	**Company**	**Market Share**	**Company**	**Market Share**
1	China Life	19.4%	China Life	19.7%	China Life	20.8%
2	HSBC Life	13.3%	HSBC Life	14.2%	Prudential (UK)	19.6%
3	BOC Group Life	11.8%	Prudential (UK)	13.8%	HSBC Life	14.2%
4	Prudential (UK)	11.3%	AIA International	11.2%	AIA International	12.7%
5	AIA International	10.1%	BOC Group Life	9.7%	BOC Group Life	8.9%
6	AXA China (Bermuda)	6.5%	AXA China (Bermuda)	7.1%	AXA China (Bermuda)	4.7%
7	Hang Seng Insurance	5.3%	Hang Seng Insurance	4.7%	Manulife (Int'l)	4.1%
8	Manulife (Int'l)	3.9%	Manulife (Int'l)	4.0%	Hang Seng Insurance	3.5%
9	FWD Life	3.3%	FWD Life	2.5%	FWD Life	2.5%
10	Ageas	2.0%	Ageas	1.6%	MassMutual Asia	1.2%
11	MassMutual Asia	1.8%	MassMutual Asia	1.6%	Sun Life Hong Kong	1.2%
12	Sun Life Hong Kong	1.5%	Sun Life Hong Kong	1.5%	BEA Life	1.1%
13	Standard Life Asia	1.3%	BEA Life	1.2%	Ageas	1.0%
14	Zurich International	1.2%	Zurich International	1.1%	Transamerica Life (Bermuda)	1.0%
15	BEA Life	1.2%	Transamerica Life (Bermuda)	0.9%	ACE Life	0.8%
16	Hong Kong Life	1.0%	ACE Life	0.8%	MetLife	0.5%
17	**DSLA**	0.8%	Standard Life Asia	0.7%	Hong Kong Life	0.5%
18	Aviva	0.7%	Hong Kong Life	0.7%	Aviva	0.4%
19	ACE Life	0.6%	**DSLA**	0.6%	**DSLA**	0.4%
20	Generali Int'l	0.6%	MetLife	0.6%	Zurich International	0.2%

Source: Office of the Commissioner of Insurance, Hong Kong

According to Table 2, top 5 life insurers accounted for 65.9%, 68.6% and 76.2% of the Hong Kong life insurance market share in 2013, 2014 and 2015, respectively, indicating that the Hong Kong life insurance market has been getting more concentrated among the top life insurers. China Life was the largest life insurer by APE, accounted for 19.4%, 19.7% and 20.8% of the Hong Kong life insurance market in 2013, 2014 and 2015, respectively. DSLA ranked 17th, 19th and 19th and had a market share of 0.8%, 0.6% and 0.4% in 2013, 2014 and 2015, respectively.

Distribution Channel

There are various distribution channels in the life insurance business in Hong Kong, including selling agents, banks, brokers and direct sales. The market share percentage (calculated in terms of APE) of each distribution channel is shown in Table 3 below.

Table 3. Hong Kong Life Insurance Distribution Channel Market Share between 2013 and 2015

Channel	**2013**	**2014**	**2015**
Banks	57.1%	55.0%	52.4%
Agents	28.5%	30.6%	35.1%
Brokers	13.8%	13.8%	12.1%
Direct Sales	0.6%	0.6%	0.4%
Others	0.0%	0.0%	0.0%

Source: Office of the Commissioner of Insurance, Hong Kong

According to Table 3, more than half of the life insurance policies sold in Hong Kong were distributed through banks between 2013 and 2015. Bancassurance accounted for 57.1%, 55.0% and 52.4% of the life insurance market share in 2013, 2014 and 2015, respectively. However, the distribution channel market share through agents increased by approximately 6.6% between 2013 and 2015 whilst the market share through banks decreased by 4.7% during the same period. APE through agents grew by HK$10,804 million while APE through banks only grew by HK$8,488 million between 2013 and 2015. Meanwhile, the other distribution channels recorded a moderate decrease in terms of market share between 2013 and 2015.

3.2.2 Overview of Macau Life Insurance Industry

In Macau, as at the end of December 2015, there were 22 insurance companies, of which 11 companies were life insurance companies and the remaining 11 companies were non-life insurance companies. In terms of origin, 9 are local companies and the remaining 13 are branches of overseas companies. Between 2013 and 2015, the premium and the premium growth rate are shown in Table 4 below.

Table 4. Premium and Premium Growth Rate between 2013 and 2015

	2013	**2014**	**2015**
Single Revenue Premium (MOPm)*(1)	915	737	458
Growth Rate (%)	–	*(19.4%)*	*(37.9%)*
Annualized Premium (MOPm)*(2)	1,036	2,324	5,712
Growth Rate (%)	–	*124.3%*	*145.8%*
New business premium (MOPm)*(3)	1,128	2,398	5,758
Growth Rate (%)	–	*112.6%*	*140.1%*
Gross Premium (MOPm)	3,079	5,459	11,928
Growth Rate (%)	–	*77.3%*	*118.5%*

**Source:* Autoridade Monetaria De Macau

Notes:

(1) Single Revenue Premium represents premium received from single premium policies, which require only a single lump sum payment from the policyholders.

(2) Annualised Premium represents the total amount of premium paid annually for insurance policies, which can be paid monthly, quarterly, semi-annually or annually over a period of years.

(3) Measured by APE; APE = Annualised Premium Equivalent + (Single Revenue Premium x 10%).

The market share of Macau life insurance industry (ranked by APE) between 2014 and 2015 is shown in Table 5 below.

Table 5. Macau Life Insurer Market Share between 2014 and 2015

	2014		2015	
	Company	**Market Share**	**Company**	**Market Share**
1	China Life	68.5%	China Life	78.4%
2	AIA International	17.8%	AIA International	10.7%
3	MassMutual Asia	5.4%	AXA China (Bermuda)	5.6%
4	AXA China (Bermuda)	3.4%	MassMutual Asia	2.8%
5	Manulife (Int'l)	1.7%	FWD Life	1.0%
6	FWD Life	1.4%	Manulife (Int'l)	1.0%
7	Fidelidade (Life)	1.1%	Fidelidade (Life)	0.2%
8	Luen Fung Hang Life	0.4%	Luen Fung Hang Life	0.2%
9	**MLIC**	0.3%	**MLIC**	0.1%
10	HSBC Life	0.0%	Canada Life	0.0%
11	Canada Life	0.0%	HSBC Life	0.0%

Source: Autoridade Monetaria De Macau

According to Table 5, China Life is the largest life insurer in Macau and dominates the Macau life insurance market, with approximately 78.4% of the market share in 2015, followed by AIA with 10.7% market share in 2015. Meanwhile, the market share of other life insurers did not show any significant changes between 2013 and 2015. MLIC ranked 9th in 2014 and 2015, and accounted for 0.3% and 0.1% of the market share, respectively.

4. PRINCIPAL TERMS OF THE DISTRIBUTION AGREEMENTS

4.1 Principal Terms of the Hong Kong Distribution Agreement

Subject Matter

DSLA and DSIS will agree to appoint DSB as the non-exclusive insurance agent for distribution of life-insurance products in Hong Kong and DSB will agree to appoint DSLA as its exclusive supplier of life-insurance products in Hong Kong to its retail customers. The Hong Kong Distribution Agreement will allow the Group to continue providing insurance distribution services to DSLA and receiving commission and other payments arising from the insurance premiums received by DSLA in respect of life-insurance products when are sold through DSB's distribution channels in Hong Kong. DSLA offers a range of life-insurance products, including among others, endowments, annuities and whole life protection plans. As advised by the management of the Company and after comparing the Hong Kong Distribution Agreement with the latest commission table which is currently in use between DSB and DSLA internally and was updated on 24 March 2016 (the "**Latest Hong Kong**

Commission Table"), the range of life-insurance products and commission rate of respective products listed in the Hong Kong Distribution Agreement are consistent with those listed in the Latest Hong Kong Commission Table. The Latest Hong Kong Commission Table listed out the commission rate in respect of each insurance product on first year's premium, renewal premium as well as the rate for annual pay bonus payable by DSLA to DSB for insurance products to be sold by DSB. Hence, the commission rates under the Hong Kong Distribution Agreement are fair and reasonable as compared to the historical commission rates as set out in the Latest Hong Kong Commission Table. Furthermore, we also note that the Office of the Commissioner of Insurance regulates the insurers and insurance intermediaries in Hong Kong.

Term

15 years

Pursuant to Rule 14A.52 of the Listing Rules, given the term of the Hong Kong Distribution Agreement exceeds three years, we are required to explain why the Hong Kong Distribution Agreement requires a longer period and to confirm that it is normal business practice for an agreement of this type to be of such duration.

We have researched and identified 16 bancassurance partnership arrangements announced between 2012 and 2016 with a term ranging from 5 years to 25 years from the public domain, of which 14 bancassurance partnership arrangements are with a term ranging from 10 years to 20 years. Based on the publicly available information from our research, listed out below is the exhaustive list of three comparable bancassurance partnership arrangements announced in recent years based on the criteria of having a term of 15 years and geographic coverage in Asia Pacific markets which we consider to be comparable to the bancassurance partnership arrangement under the Hong Kong Distribution Agreement. Details of the comparable bancassurance partnership arrangements are set out in Table 6 below:

Table 6. Comparable bancassurance partnership arrangements with a term of 15 years and geographic coverage in Asia Pacific markets

Bank	**DBS Bank Ltd ("DBS")**	**Standard Chartered plc ("Standard Chartered")**	**Citibank N.A. ("Citibank")**	**DSB and BCM**
Insurance Company	Manulife Financial Asia Limited ("**Manulife**")	Prudential plc ("**Prudential**")	AIA Group Limited ("**AIA**")	DSLA and MLIC
Announcement Date	8 April 2015	12 March 2014	19 December 2013	2 June 2016
Exclusivity	Exclusive	Exclusive	Exclusive	Exclusive
Term	15 years	15 years	15 years	15 years
Initial Payments	US$1.2 billion(1)	US$1.25 billion(2)	US$0.8 billion(3)	HK$2.6 billion(4)

Bank	DBS Bank Ltd ("DBS")	Standard Chartered plc ("Standard Chartered")	Citibank N.A. ("Citibank")	DSB and BCM
Initial Payments Per Customer	US$200(5)	N/A(11)	US$62(6)	US$560(7)
Markets Covered	4 markets in Asia-Pacific region(8)	9 markets in Asia-Pacific region(9)	11 markets in Asia-Pacific region(10)	2 markets in Asia-Pacific region

Notes:

(1) US$1.2 billion was a one-time upfront payment paid by Manulife to DBS.

(2) Out of the US$1.25 billion initial fee, US$850 million and US$200 million was paid by Prudential to Standard Chartered in 2014 and 2015, respectively, and the remainder of US$200 million is payable by Prudential in 2016.

(3) US$800 million was paid by AIA to Citibank as upfront payment.

(4) HK$2,069 million upfront payment and 10 equal deferred payment of HK$53.1 million each payable at anniversary will be paid by DSLA and MLIC to DSB and BCM, respectively, under the Distribution Agreements.

(5) Calculated based on upfront payment of US$1.2 billion divided by the number of retail, wealth and SME customers in the four markets as disclosed in the announcement dated 8 April 2015 jointly made by DBS and Manulife.

(6) Calculated based on US$0.8 billion initial payments divided by the number of retail cardholders and banking customers in the 11 markets as disclosed in the announcement dated 19 December 2013 by AIA.

(7) Calculated based on HK$2.6 billion initial payments, which includes the upfront payment and the deferred payments under the Distribution Agreements divided by the number of retail cardholders and banking customers in Hong Kong and Macau provided by the management of the Company.

(8) Covered markets in Asia Pacific region are Singapore, Hong Kong, China and Indonesia.

(9) 9 covered markets in Asia Pacific region are Hong Kong, Singapore, Indonesia, Thailand, Malaysia, the Philippines, Vietnam, India and Taiwan on an exclusive basis and China and Korea are covered on a preferred basis.

(10) 11 covered markets in Asia Pacific region are Hong Kong, Singapore, Thailand, China, Indonesia, Philippines, Vietnam, Malaysia, Australia, India and Korea.

(11) No details in respect of the number of customers in the covered markets are disclosed in the relevant announcement.

The entering into of the Hong Kong Distribution Agreement with a term of 15 years would facilitate DSB's long-term bancassurance partnership with DSLA under the ownership of Thai Hot Investment. As advised by the management of the Company, it is expected that Thai Hot Investment will expand the life-insurance business of DSLA. As the term of 15 years under the Hong Kong Distribution Agreement is within the range of the term of most of the bancassurance partnership arrangements announced during the recent years, we consider the term of 15 years of the Hong Kong Distribution Agreement is a normal business practice.

Consideration

Hong Kong Fixed Payments

DSLA shall make an upfront payment in the amount of HK$1,972,000,000 (of which HK$250,000,000 was paid as a deposit by the Thai Hot Group by the date of the Share Sale Agreement) and ten equal deferred payments in the amount of HK$52,800,000 on each anniversary of the Hong Kong Distribution Agreement, commencing on the first anniversary and ending on the tenth anniversary of the Hong Kong Distribution Agreement.

Hong Kong Variable Payments

DSLA shall pay commission to DSB in respect of all insurance premiums received by DSLA for the life-insurance products which are sold through DSB's distribution channels in Hong Kong. The commission rate is specified as a percentage of the first year's premium under the Hong Kong Distribution Agreement, ranging between 3% and 52% of the first year's premium received in respect of each of the 68 insurance product varieties, plus an additional payment of up to 24% of the renewal premium in respect of 44 out of the 68 insurance product varieties with renewal commission. The commission rates were determined after arm's length negotiations between the parties to the Hong Kong Distribution Agreement by reference to the commission rates under the existing distribution arrangements. The commission rates in respect of each life-insurance product shall be consistent with the rates payable from time to time in respect of similar products distributed by other Comparable Life Insurance Companies operating in Hong Kong in the same or similar distribution channels as DSB. The commission rates will initially be fixed and maintained until not later than 31 December 2017. Thereafter, the commission rates may be revised by DSLA and DSB from time to time.

DSLA shall also make a quarterly production, marketing and sales payment (together with the monthly payment of commission, the "**Hong Kong Variable Payments**") to DSB in respect of the insurance premiums received by DSLA in each quarter. Such payments were determined after arm's length negotiations between the parties to the Hong Kong Distribution Agreement by reference to the historical total production and tactical bonus and sales and marketing allowance under the existing distribution arrangements and are calculated as a percentage of the annualised first year commissions received by DSB during the relevant quarter. The initial rate will be 60% and will apply until not later than 31 December 2017. Thereafter, such rate may be reviewed by DSLA and DSB on an annual basis.

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

We have reviewed and compared the distribution agreements entered into between DSIS, as an agent to DSLA, and DSB on 30 December 2013 and as subsequently amended and restated on 5 April 2016 (the "**Existing Hong Kong Distribution Agreement**") and the Latest Hong Kong Commission Table with the Hong Kong Distribution Agreement and set out below our major observations:

i) there was no upfront fee payable by DSIS to DSB pursuant to the Existing Hong Kong Distribution Agreement;

ii) the life-insurance products offered by DSLA to DSB listed in the Latest Hong Kong Commission Table are the same as those listed in the Hong Kong Distribution Agreement;

iii) the commission fee rates for the products listed in the Hong Kong Distribution Agreement are the same as those listed in the Latest Hong Kong Commission Table; and

iv) the arrangement of production, marketing and sales payments pursuant to the Hong Kong Distribution Agreement is consistent with that under the Existing Hong Kong Distribution Agreement.

As advised by the management of the Company, under the existing distribution arrangements in Hong Kong, the product development team of DSLA will review the product's competitiveness, which includes the commission rate, of DSLA's existing products from time to time by referencing to the similar products distributed by other insurers in Hong Kong. If a product is considered as not competitive, the commission rate may be revised, a substitute competitive product may be developed, or such other solutions may be mutually agreed upon between DSB and DSLA, which will then be reflected in the commission table. In addition, if DSB considers a specific product, including the commission rate, is not competitive, DSB has the right to request for a review of the product's competitiveness by a work group made up of representatives from DSLA and DSB, which may result in a revision of the commission rate, a substitute competitive product being developed or such other solutions as may be mutually agreed between DSB and DSLA, which will then be reflected in the commission table. As such, we consider the Latest Hong Kong Commission Table is on normal commercial terms and is fair and reasonable.

We have reviewed the Hong Kong Distribution Agreement, pursuant to which the commission rate in respect of each life-insurance product shall be consistent with the commission rate payable from time to time in respect of similar products distributed by other Comparable Life Insurance Companies operating in Hong Kong in the same or similar distribution channels as DSB. The initial commission rates under the Hong Kong Distribution Agreement will initially be fixed and maintained until no later than 31 December 2017. Thereafter, the commission rates may be revised by DSLA and DSB through the working committee and steering committee from time to time based on competitiveness of the insurance products, by comparing and reviewing the product pricing and product terms of other similar products distributed by other Comparable Life Insurance Companies operating in Hong Kong in the same or similar distribution channels as DSB.

Furthermore, pursuant to the Hong Kong Distribution Agreement, working committee and steering committee will be formed with each of the committee comprising no more than eight members and with equal number of representatives of DSLA and DSB, respectively. Steering committee shall oversee the strategic decision-making of bancassurance business while the working committee shall be responsible for the day-to-day bancassurance business. Pursuant to the Hong Kong Distribution Agreement, the commission rates may be revised from time to time as agreed by the working committee and approved by the steering committee.

In particular, pursuant to the Hong Kong Distribution Agreement, if the commission rate for a specific product is considered as not competitive, which is one of the exceptions from exclusivity under the Hong Kong Distribution Agreement, DSB shall have the right to request for a review of the product's competitiveness by the steering committee, which may result in a revision of the commission rate, a substitute competitive product being developed or such other acceptable alternatives as may be mutually agreed between DSB and DSLA. If the steering committee is unable to reach a consensus, either DSLA or DSB may invite an independent expert to consider and make a determination on the competitiveness of the pricing. In the event that the competitiveness of the product is not restored or a mutual agreement cannot be reached, DSB will have the right to source such competitive products from alternative insurers.

Based on our comparison between the commission tables attached to the Hong Kong Distribution Agreement and the Latest Hong Kong Commission Table, and our review of the mechanism of regular review of product competitiveness by the relevant steering and working committees to ensure the commission rate being comparable to the market pursuant to the Hong Kong Distribution Agreement, we consider the commission rates listed in the Hong Kong Distribution Agreement are on normal commercial terms and consistent with the current market practice.

In addition to commission payments, DSLA currently also pays DSB (i) a production and tactical bonus; and (ii) a sales and marketing allowance based on the insurance premium received by DSLA and the annualised first year commissions received by DSB. Please refer to paragraph headed "Letter from the Board – Pricing Mechanism for the Variable Payments contemplated under the Distribution Agreements – Production, marketing and sales payment" for a detailed description of the production, marketing and sales payment.

In 2014 and 2015, the production and tactic bonuses and the sales and marketing allowance amounted to 62.8% and 61.9% of the annual commission income received by DSB, respectively. As advised by the management of the Company, the initial rate of 60%, as a percentage of the annualised first year commission, is set with reference to the historical production and tactical bonus and sales and marketing allowance and was determined after arm's length negotiations. Such rate may be revised by DSLA and DSB on an annual basis. The initial rate of 60% is comparable to the historical ratio of 62.8% and 61.9% in 2014 and 2015, respectively, and with the expected growth in the variable payments to be received by DSB after the Hong Kong Distribution Agreement becomes effective as mentioned in paragraph headed "Proposed Annual Caps for the Variable Payments and Basis of Calculation" in this letter, we consider the initial rate of 60% under the Hong Kong Distribution Agreement are on normal commercial term, fair and reasonable and in the interest of the Company and its shareholder as a whole.

Exceptions from Exclusivity

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

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

(ii) any business plan drawn up by the working committee to be established by DSB and DSLA indicates that such life-insurance product is not intended to be offered in Hong Kong for all or any part of the term of such plan;

(iii) DSLA fails to manufacture or provide such life-insurance product which it was to provide pursuant to a business plan drawn up by the working committee to be established by DSB and DSLA, in accordance with such plan;

(iv) DSLA fails to supply new or modified life-insurance products within the prescribed time frames;

(v) such life-insurance product is not competitive or conflicts with DSB's standards and practices and DSLA has declined or failed to cure the relevant deficiency;

(vi) without the prior written consent of DSB, DSLA introduces a sales cap or suspends the offering of such life-insurance product;

(vii) the exclusivity conflicts with contracts taken over following an acquisition by DSB;

(viii) the terms of the Hong Kong Distribution Agreement are suspended as a consequence of any event beyond the reasonable control of the parties;

(ix) payment of commission by DSLA to DSB under the Hong Kong Distribution Agreement is prohibited or restricted by applicable laws; or

(x) DSLA declines or is unable to provide the customers of DSB's retail banking division with life-insurance products, or agrees to provide such life-insurance products but not on terms which are acceptable to such customers.

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

We have reviewed the Existing Hong Kong Distribution Agreement, which did not contain any exclusivity clause. We have discussed with management of the Company and as advised by the management of the Company, the policy and procedures in relation to strategic decision making, business planning, product development, marketing activities and day to day bancassurance activities pursuant to the Hong Kong Distribution Agreement are consistent with the existing practice between DSLA and DSB. During the past 23 years, DSB had not entered into any other bancassurance partnership and had not sold any life-insurance product provided by other third party insurance companies to its retail customers. In addition, the exceptions to exclusivity under the Hong Kong Distribution Agreement provide flexibility to DSB to source life-insurance products from other third party insurance companies in certain specified circumstances as set out above.

According to our research, there are precedent cases for bancassurance partnership which are exclusive in nature, with a term of 15 years and with an upfront fee. Please refer to Table 6 in this letter for details. We have discussed with the management that the upfront and deferred payments are determined after arm's length negotiations between the parties to the Hong Kong Distribution Agreement. We have compared the relevant payments with those of the precedent cases of bancassurance partnership. We have compared the amount of payment per customer of the bancassurance partnership arrangements between (i) DBS and Manulife and (ii) Citibank and AIA based on publicly available information with the amount of payment per customer under the Distribution Agreements (considering the Fixed Payments of the Distribution Agreements as a whole), which is derived from the total number of customers of DSB and BCM as advised by the management of the Company. The amount of payment per customer under the Distribution Agreements is higher than the payment per customer of the bancassurance partnership arrangements between (i) DBS and Manulife and (ii) Citibank and AIA. As such, we consider the exclusivity clause pursuant to the Distribution Agreements, provided with the exceptions from exclusivity, and the Fixed Payments of the Distribution Agreements as a whole are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

4.2 Principal Terms of the Macau Distribution Agreement

Subject Matter

MLIC will agree to appoint BCM as its non-exclusive insurance agent for distribution of life-insurance products in Macau and BCM will agree to appoint MLIC as its exclusive supplier of life-insurance products in Macau to its retail customers. The Macau Distribution Agreement will allow the Group to continue providing insurance distribution services to MLIC and receiving commission and other payments in respect of the insurance premiums received by MLIC in respect of life-insurance products which are sold through BCM's distribution channels in Macau. MLIC offers a range of life-insurance products, including among others, endowments, annuities and whole life protection plans. As advised by the management of the Company and after the comparison of the Macau Distribution Agreement with latest commission table which is currently in use between MLIC and BCM internally and was updated on 1 January 2015 (the "**Latest Macau Commission Table**"), the range of life-insurance products and the commission rate of respective products listed in the Macau Distribution Agreement are consistent with those listed in the Latest Macau Commission Table. The Latest Macau Commission Table listed out the commission rate in respect of each of the 56 insurance product varieties on first year's premium and an additional payment of renewal premiums is also available for each of the 29 insurance product varieties payable by MLIC to BCM for insurance products to be sold by BCM. Hence, the commission rates under the Macau Distribution Agreement are fair and reasonable as compared to the historical commission rates as set out in the Latest Macau Commission Table. Furthermore, we also note that The Monetary Authority of Macao regulates the insurers and insurance intermediaries in Macau.

Term

15 years

Pursuant to Rule 14A.52 of the Listing Rules, given the term of the Macau Distribution Agreement exceeds three years, we are required to explain why the Macau Distribution Agreement requires a longer period and to confirm that it is normal business practice for an agreement of this type to be of such duration.

According to our research in the public domain, there is no signed comparable bancassurance partnership arrangement with a term of 15 years which is for Macau market on a standalone basis. The identified comparable bancassurance partnership arrangements, which have a term of 15 years and cover the Asia Pacific Markets, are based on the bundled markets in the Asia Pacific region and there is no standalone information for each of the individual markets for each of the comparable bancassurance partnership arrangements. As such, we compare the bancassurance partnership arrangement under the Distribution Agreements as a whole with the comparable bancassurance partnership arrangements. Please refer to the paragraph headed "Principal Terms of the Hong Kong Distribution Agreement – Term" for details of the comparable bancassurance partnership arrangements entered during the recent years.

The entering into of the Macau Distribution Agreement with a term of 15 years would facilitate BCM's long-term bancassurance partnership with MLIC under the ownership of Thai Hot Investment. As advised by the management of the Company, it is expected that Thai Hot Investment will expand the life-insurance business of MLIC. As the term of 15 years under the Macau Distribution Agreement is within the range of the term of most of the bancassurance partnership arrangements announced during the recent years, we consider the term of 15 years of the Macau Distribution Agreement is a normal business practice.

Consideration

Macau Fixed Payments

MLIC shall make an upfront payment in the amount of HK$97,000,000 (of which HK$10,000,000 was paid as a deposit by the Thai Hot Group by the date of the Share Sale Agreement) and ten equal deferred payments in the amount of HK$300,000 per annum for ten years, commencing on the first anniversary and ending on the tenth anniversary of the Macau Distribution Agreement (collectively the "**Macau Fixed Payments**", together with the Hong Kong Fixed Payments, the "**Fixed Payments**").

Macau Variable Payments

MLIC shall pay commissions to BCM in respect of all insurance premiums received by MLIC for the life-insurance products which are sold through BCM's distribution channels in Macau. The commission rates in respect of each of the 56 insurance product varieties is specified as a percentage of the first year's premium under the Macau Distribution Agreement, ranging between 10% and 47.8% of the first year's premium received in respect of each of the 56 insurance products varieties. An additional payment of up to 15% of the renewal premium is also available for each of the 29 insurance product varieties with renewal commission. The commission rates were determined after arm's length negotiations between the parties to the Macau Distribution Agreement by reference to the commission rates under the existing distribution arrangements. The commission rates in respect of each life-insurance product shall be consistent with the rates payable from time to time in respect of similar products distributed by other Comparable Life Insurance Companies operating in Macau in the same or similar distribution channels as BCM. The commission rates will initially be fixed and maintained until not later than 31 December 2017. Thereafter, the commission rates may be revised by MLIC and BCM from time to time.

MLIC shall also make a quarterly production, marketing and sales payment (together with the monthly payment of commission, the "**Macau Variable Payments**") to BCM in respect of the insurance premiums received by MLIC in each quarter. Such payments were determined after arm's length negotiations between the parties to the Macau Distribution Agreement after considering the historical total production and tactical bonus and sales and marketing allowance under the existing distribution arrangements. The initial rate will be 60% and will apply until not later than 31 December 2017. Thereafter, such rate may be reviewed by MLIC and BCM on an annual basis.

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

We have reviewed and compared the distribution agreement entered into between MLIC and BCM on 30 December 2013 and as subsequently amended and restated on 5 April 2016 (the "**Existing Macau Distribution Agreement**", together with the Hong Kong Existing Distribution Agreement, the "**Existing Distribution Agreement**"), and the Latest Macau Commission Table (together with the Latest Hong Kong Commission Table, the "**Latest Commission Tables**") with the Macau Distribution Agreement and set out below our major observations:

i) there is no upfront fee payable by MLIC to BCM in the Existing Macau Distribution Agreement;

ii) the life-insurance products offered by MLIC to BCM listed in the Latest Macau Commission Table are the same as those listed in the Macau Distribution Agreement;

iii) the commission fee rates for the products listed in the Macau Distribution Agreement are the same as those listed in the Latest Macau Commission Table; and

iv) the arrangement of production and tactical bonuses pursuant to the Macau Distribution Agreement is consistent with that under the Existing Macau Distribution Agreement.

As advised by the management of the Company, similarly to the existing distribution arrangement in Hong Kong, under the existing distribution arrangement in Macau, the product development team of MLIC will review the product's competitiveness, which includes the commission rate, of MLIC's existing products from time to time by referencing to the similar products distributed by other insurers in Macau. If a product is considered as not competitive, the commission rate may be revised, a substitute competitive product may be developed, or such other solutions may be mutually agreed upon between BCM and MLIC, which will then be reflected in the commission table. In addition, if BCM considers a specific product, including the commission rate, is not competitive, BCM has the right to request for a review of the product's competitiveness by a work group made up of representatives from MLIC and BCM, which may result in a revision of the commission rate, a substitute competitive product being developed or such other solutions as may be mutually agreed between BCM and MLIC, which will then be reflected in the commission table. As such, we consider the Latest Macau Commission Table is on normal commercial terms and is fair and reasonable.

We have reviewed the Macau Distribution Agreement, pursuant to which the commission rate in respect of each life-insurance product shall be consistent with the commission rate payable from time to time in respect of similar products distributed by other Comparable Life Insurance Companies operating in Macau in the same or similar distribution channels as BCM. The initial commission rates under the Macau Distribution Agreement will be initially fixed and maintained until no later than 31 December 2017. Thereafter, the commission rates may be revised by MLIC and BCM through the working committee and steering committee from time to time based on competitiveness of the insurance products, by comparing and reviewing the product pricing and product terms of other similar products distributed by other Comparable Life Insurance Companies operating in Macau in the same or similar distribution channels as BCM.

Furthermore, similar to the working committee and steering committee under the Hong Kong Distribution Agreement, pursuant to the Macau Distribution Agreement, working committee and steering committee will be formed with each of the committee comprising no more than eight members and with equal number of representatives of MLIC and BCM, respectively. Steering committee shall oversee the strategic decision-making of bancassurance business while the working committee shall be responsible for the day-to-day bancassurance business. The commission rates may be revised from time to time as agreed by the working committee and approved by the steering committee.

In particular, pursuant to the Macau Distribution Agreement, if the commission rate of a specific life-insurance product is considered as not competitive, which is one of the exceptions from exclusivity under the Macau Distribution Agreement, BCM shall have the right to request for a review of the product's competitiveness by the steering committee, which may result in a revision of the product's commission rate, a substitute competitive product being developed or such other acceptable alternatives as may be mutually agreed between BCM and MLIC. If the steering committee is unable to reach a consensus, either MLIC or BCM may invite an independent expert to consider and make a determination on the competitiveness of the pricing. In the event that the competitiveness of the product is not restored or a mutual agreement cannot be reached, BCM will have the right to source such competitive products from alternative insurers.

Based on our comparison between the commission tables attached to the Macau Distribution Agreement and the Latest Macau Commission Table, and our review of the mechanism of regular review of product competitiveness by the relevant steering and working committees to ensure the commission rate being comparable to the market pursuant to the Macau Distribution Agreement, we consider the commission rates listed in the Macau Distribution Agreement are on normal commercial terms and consistent with the current market practice.

In addition to commission payments, MLIC currently also pays BCM (i) a production and tactical bonus; and (ii) a sales and marketing allowance based on the insurance premiums received by MLIC and the annualised first year commissions received by BCM. Please refer to paragraph headed "Letter from the Board – Pricing Mechanism for the Variable Payments contemplated under the Distribution Agreements – Production, marketing and sales payment" for a detailed description of the production, marketing and sales payment.

As advised by the management of the Company, the initial production, marketing and sales payment rate of 60% is determined after the arms' length negotiations of the Distribution Agreements with the Purchaser after considering the historical total production and tactical bonus and the sales and marketing allowance under the existing distribution arrangements. No material production and tactical bonus nor sales and marketing allowance was paid by MLIC under the existing distribution arrangement in Macau in 2014 and 2015. As the Macau insurance market is substantially smaller than the Hong Kong insurance market but in close proximity, the Distribution Agreements were negotiated as a whole and for the ease of reference, same set of initial production, marketing and sales payment rate of 60% under Hong Kong Distribution Agreement is adopted by the Macau Distribution Agreement. Such rate may be revised by MLIC and BCM on an annual basis. As such, due to the immateriality of the variable payments paid to BCM in 2014 and 2015 and the initial production, marketing and sales payment rate under the Macau Distribution Agreement and the Hong Kong Distribution Agreement being the same (i.e. 60%), we consider the initial rate of 60% is consistent with that of the Hong Kong Distribution Agreement and is on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Exceptions from Exclusivity

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

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

(ii) any business plan drawn up by the working committee to be established by BCM and MLIC indicates that such life-insurance product is not intended to be offered in Macau for all or any part of the term of such plan;

(iii) MLIC fails to manufacture or provide such life-insurance product which it was to provide pursuant to a business plan drawn up by the working committee to be established by BCM and MLIC, in accordance with such plan;

(iv) MLIC fails to supply new or modified life-insurance products within the prescribed time frames;

(v) such life-insurance product is not competitive or conflicts with BCM's standards and practices and MLIC has declined or failed to cure the relevant deficiency;

(vi) without the prior written consent of BCM, MLIC introduces a sales cap or suspends the offering of such life-insurance product;

(vii) the exclusivity conflicts with contracts taken over following an acquisition by BCM;

(viii) the terms of the Macau Distribution Agreement are suspended as a consequence of any event beyond the reasonable control of the parties;

(ix) payment of commission by MLIC to BCM under the Macau Distribution Agreement is prohibited or restricted by applicable laws; or

(x) MLIC declines or is unable to provide the customers of BCM's retail banking division with life-insurance products, or agrees to provide such life-insurance products but not on terms which are acceptable to such customers.

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

We have reviewed the Existing Macau Distribution Agreement, which did not contain any exclusivity clause. We have discussed with management of the Company and as advised by the management of the Company, the policy and procedures in relation to strategic decision making, business planning, product development, marketing activities and day to day bancassurance activities pursuant to the Macau Distribution Agreement are consistent with the existing practice between MLIC and BCM. During the past 19 years, BCM had not entered into any other bancassurance partnership or sold any life-insurance product provided by other independent insurance companies. In addition, the exceptions to exclusivity under the Macau Distribution Agreement provide flexibility to BCM to source life-insurance products from other third parties insurance companies in certain specified circumstances as set out above.

We have considered the upfront and deferred payments of the Macau Distribution Agreement together with those of the Hong Kong Distribution Agreement as a whole, and have also compared them to those of the bancassurance partnership arrangements between (i) DBS and Manulife and (ii) Citibank and AIA. Please refer to the paragraph headed "Principal Terms of the Hong Kong Distribution Agreement – Exceptions from Exclusivity" for details. As such, we consider the exclusivity clause pursuant to the Distribution Agreements, provided with the exceptions from exclusivity, and the Fixed Payments of the Distribution Agreements as a whole are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

Based on our work performed and having considered the factors set out above, we are of the view that the terms of the Distribution Agreements are fair and reasonable in so far as the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

5. PROPOSED ANNUAL CAPS FOR THE VARIABLE PAYMENTS AND BASIS OF CALCULATION

The proposed annual caps for the Hong Kong Variable Payments under the Hong Kong Distribution Agreement are HK$45 million for the 3-months period between 1 October 2016 to 31 December 2016 assuming the Hong Kong Distribution Agreement will be effective on 1 October 2016, and HK$210 million for the year ending 31 December 2017, respectively (the "**Hong Kong Proposed Caps**").

The proposed annual caps for the Macau Variable Payments under the Macau Distribution Agreement are HK$3 million for the 3-months period between 1 October 2016 to 31 December 2016 assuming the Macau Distribution Agreement will be effective on 1 October 2016, and HK$15 million for the year ending 31 December 2017, respectively (the "**Macau Proposed Caps**", together with the Hong Kong Proposed Caps, the "**Proposed Caps**").

Amounts in HK$ million	Historical Transaction Amount 2013	2014	2015	For the five months ended 31 May 2016	Proposed Caps 2016	2017
Total of commission income, fees, production, marketing and sales payment received by DSB	92.6	98.8	114.6	63.4	45.0*	210.0
Total of commission income, fees, production, marketing and sales payment received by BCM	2.5	2.6	3.7	1.7	3.0*	15.0

* The proposed caps for 2016 under the Distribution Agreements are calculated on the assumption that the Distribution Agreements will be effective on 1 October 2016.

In assessing the reasonableness and fairness of the Hong Kong Proposed Caps and Macau Proposed Caps, we have been advised by the management of the Company that (i) the total amount of commission income, fees and production, marketing and sales payments received by DSB for distribution of life-insurance products of DSLA was approximately HK$ 92.6 million, HK$98.8 million and HK$114.6 million for 2013, 2014 and 2015, respectively, and HK$63.4 million for the five months ended 31 May 2016; and (ii) the total amount of commission income, fees and production, marketing and sales payments received by BCM for distribution of life-insurance products of MLIC was approximately HK$2.5 million, HK$2.6 million and HK$3.7 million for 2013, 2014, and 2015, respectively, and HK$1.7 million for the five months ended 31 May 2016. The historical annual caps of HK$148 million for each of 2014, 2015 and 2016 represented the commission income, fees and production, marketing and sales payments received by and expenses reimbursed to the Group from DSIS, DSLA, MLIC and MIC under the existing life and general distribution agreements.

According to our interview with the management of the Company, the Proposed Caps were proposed on the basis of, and with consideration of, the historical commission income, fees and production, marketing and sales payments received by and expenses reimbursed to each of DSB and BCM in 2014, 2015 and the first five months of 2016, the expected growth of the life-insurance market of Hong Kong and Macau in 2016 and 2017 according to the historical growth rate in 2015, together with the expected growth in bancassurance business due to the mechanism set out in the Distribution Agreements for on-going cooperation with Thai Hot Investment, which is designed to facilitate the growth of bancassurance business and the smooth transition and workflow following the completion of the sales of the Hong Kong Shares and the Macau Shares. Thai Hot Investment and the Group are motivated to achieve strong result, given both parties are intended to have close cooperation.

We note that insurance agency transactions are primarily driven by customers' demand for insurance and DSB and BCM has no control over the volume and amounts of such demand. We understand from the management of the Company that they are positive towards the growth of the Hong Kong and Macau insurance market in the foreseeable future, having taken into account the increase of the gross premiums received by the Hong Kong insurance industry of approximately 19.5% in 2014 and approximately 18.0% in 2015, and the increase of gross premiums received by the Macau insurance industry of approximately 77.3% in 2014 and approximately 118.5% in 2015. In addition, the management of the Company believes the growth of variable payments to be received by DSB and BCM will be largely depending on Thai Hot Investment's plan to expand the life-insurance business of DSLA and MLIC by leveraging on its experience and resources, which would include, among others, the expansion of the range of life-insurance products, and the further introduction of DSLA and MLIC by DSB and BCM to gain access to the untapped life insurance markets by leveraging on the enlarged customer base and network. As such, the entering into of the Distribution Agreements will allow DSB and BCM, respectively to further expand its respective bancassurance business.

The proposed cap of HK$45 million for Hong Kong Variable Payments for 3-months period from October to December 2016 payable to DSB represents a growth rate of approximately 18.3% as compared to a 3-months average variable payment based on the variable payments of HK$63.4 million paid to DSB during the first five months in 2016, which has taken into consideration of the expected industry growth rate of the Hong Kong insurance market in 2016, which is assumed to be consistent with the historical industry growth rate of 18.0% of the Hong Kong insurance market in 2015 and the expected growth of variable payments to be received by DSB on a pro-rata basis due to Thai Hot Investment's plan to expand life-insurance business of DSLA as mentioned above.

The proposed cap of HK$210.0 million for Hong Kong Variable Payments for 2017 payable to DSB represents a growth rate of 32.0% as compared to the estimated variable payments of HK$159.1 million in 2016, which is estimated based on (i) variable payments of 9-months period from January to September 2016 with reference to the historical figures for the 5-months period ended 31 May 2016 on pro-rata basis and (ii) 3-months variable payments of HK$45.0 million from October to December 2016 upon commencement of the Hong Kong Distribution Agreement, which has taken into consideration of the expected industry growth rate of the Hong Kong insurance market in 2017, which is assumed to be consistent with the historical growth rate of 18.0% of the Hong Kong insurance market in 2015, and the full year impact on the expected growth of variable payments to be received by DSB due to Thai Hot Investment's plan to expand life-insurance business of DSLA as mentioned above.

The proposed cap of HK$3.0 million for Macau Variable Payments for 3-months period from October to December 2016 payable to BCM represents a growth rate of approximately 194.1% as compared to a 3-months average variable payment based on the variable payments of HK$1.7 million paid to BCM during the first five months in 2016, which has taken into consideration of (i) the historical growth rate of 42.3% for total of variable payments received by BCM in 2015, (ii) the expected industry growth rate of the Macau insurance market in 2016, which is assumed to be consistent with the historical industry growth rate of 118.5% the Macau insurance market in 2015 and (iii) the expected growth of variable payments to be received by BCM on pro-rata basis due to Thai Hot Investment's plan to expand life-insurance business of MLIC as mentioned above.

The proposed cap of HK$15.0 million for Macau Variable Payments for 2017 payable to BCM represents a growth rate of 145.9% as compared to the estimated variable payments of HK$6.1 million in 2016, which is estimated based on (i) variable payments of 9-months period from January to September 2016 with reference to the historical figures for 5-months period ended 31 May 2016 of HK$1.7 million on pro-rata basis and (ii) 3-months variable payments of HK$3.0 million from October to December 2016 upon commencement of the Macau Distribution Agreement, which has taken into the consideration of (i) the historical growth rate of 42.3% for total of variable payments received by BCM in 2015, (ii) the expected industry growth rate of the Macau insurance market in 2017, which is assumed to be consistent with the historical growth rate of 118.5% of the Macau insurance market in 2015, and the full year impact on the expected growth of variable payments to be received by BCM due to Thai Hot Investment's plan to expand life-insurance business of MLIC as mentioned above.

We have obtained and reviewed the relevant supporting documents to assess whether the assumption of growth of commission fee and estimated marketing and sales expense were prepared on a reasonable basis.

6. ADVANTAGES AND DISADVANTAGES OF THE TRANSACTIONS

Advantages

(i) The Company will be able to obtain the Fixed Payments of HK$2.6 billion as the compensation for exclusivity (with HK$2.1 billion of upfront fee to be received upon the signing of the Distribution Agreements), while maintaining the flexibility to sell life-insurance products from other independent third parties insurance companies under certain exceptions. As such, DSB and BCM are protected from the downside risk for losing its customers due to unavailability of certain essential life-insurance products by MLIC and DSLA to meet the customer needs of DSB and BCM.

(ii) DSB has been appointed via DSIS as DSLA's distributor of various life-insurance products since 1993 and BCM has been appointed as MLIC's distributor of various life-insurance products since 1997. During the respective periods, DSB and BCM have been distributing life insurance products from only DSLA and MLIC, respectively, to their respective retail customers. The Distribution Agreements will allow DSB and BCM to continue to provide a range of life-insurance products and services to their respective retail customers without creating any disruption to the existing bancassurance business of DSB and BCM as a result of the proposed disposal of DSIS, DSLA and MLIC by DSFH. As advised by the management of the Company, the increasing level of awareness and acceptance of life-insurance products by the customers of DSB and BCM in general will provide DSB and BCM with an opportunity to cross sell the life-insurance products, and therefore allow DSB and BCM to continue to increase the commission receivable from such sales.

(iii) The establishment of steering committees and working committees would enhance the opportunities for DSB and BCM to develop products matching their respective customers' needs and generating benefits to DSB and BCM under their control and supervision. In addition, the substantial Fixed Payments of HK$2.6 billion to be paid by DSLA and MLIC for exclusivity will incentivize both DSLA and MLIC to optimise the distribution efficiency and productivity of DSB and BCM, respectively, in order to derive the maximum benefit from such Fixed Payments. As a result, DSB and BCM are expected to have the opportunity to further increase their fee and commission incomes in the future.

(iv) Thai Hot Investment is a reputable business conglomerate in the PRC with businesses including banking and financial services, healthcare and investment in a real estate development company. Entering into the Distribution Agreements with a term of 15 years would facilitate a long-term bancassurance partnership with DSLA and MLIC, under the ownership of Thai Hot Investment. As advised by the management of the Company, it is expected that Thai Hot Investment will expand the life-insurance business of DSLA and MLIC, including the range of life-insurance products. The entering into of the Distribution Agreements will allow DSB and BCM to provide more life-insurance products to their customers.

Disadvantages

(i) In 2015, DSLA ranked 19th in the Hong Kong insurance industry with market share of approximately 0.4% and MLIC ranked 9th in the Macau insurance industry with market share of approximately 0.1%. By entering into the Distribution Agreements, DSB and BCM would not be able to enter into an exclusive bancassurance arrangement (subject to certain exceptions to the exclusivity as detailed above) with other third party life insurance companies which have larger market share or a wider range of life-insurance products offering.

(ii) DSB and BCM are required to go through approval procedures with DSLA and MLIC, respectively, to request for the provision of new life-insurance products to meet customers' needs. The approval process would take around 30 days for DSLA or MLIC to decide whether such new product will be manufactured or provided. Only upon confirmation from DSLA or MLIC that such new product would not be provided by DSLA or MLIC, would DSB and BCM then be able to reach out to other third party insurance companies. This may affect DSB and BCM's ability to react promptly to meet customers' demand and they may lose their respective customers in the bancassurance business due to the long approval process.

7. FINANCIAL IMPACT ON THE GROUP IN RELATION TO THE FIXED PAYMENTS UNDER THE DISTRIBUTION AGREEMENTS

As discussed with the management of the Company, we understand that the Fixed Payments comprise upfront payments and deferred payments and will be amortised and recognised as income over the term of the Distribution Agreements. The Fixed Payments to be recognised by DSB and BCM will be subject to Hong Kong and Macau tax at 16.5% and 12.0%, respectively.

Effect on earnings per share ("EPS") of the Group

(HK$'m)	**DSB**	**BCM**	**Total for the Group**
Total upfront payment	1,972.0	97.0	2,069.0
Total deferred payments	528.0	3.0	531.0
Aggregate of upfront payments and deferred payments	2,500.0	100.0	2,600.0
Monthly amortised and pre-tax amount for recognition as income	13.9	0.6	14.4
Applicable tax rate	16.5%	12.0%	
Monthly amortised and post-tax amount for recognition as income	11.6	0.5	12.1

(HK$'m)	**2016**	**2017-2030 Year 1 corresponding to the 4th month to Year 14 corresponding to the 171th month**	**2031**
No. of months to be amortised	3[(1)]	12	9
Annual post-tax income to be recognised during the year	36.3	145.0	108.8
Increase in EPS as a result of the entering into Distribution Agreements (HK$)	0.03	0.10	0.08

Note (1): The Distribution Agreements are assumed to be effective on 1 October 2016.

In view of above, the entering into of the Distribution Agreements will have a positive impact on the earnings per share of the Company.

8. SUMMARY

In assessing the reasonableness and fairness of the terms of the Distribution Agreements and the transactions contemplated thereunder, having considered the above principal factors and reasons, we draw your attention to the following key factors in arriving at our conclusions:

(i) DSB has been appointed via DSIS as DSLA's distributor of various life-insurance products since 1993 and BCM has been appointed as MLIC's distributor of various life-insurance products since 1997. During the respective periods, DSB and BCM have been distributing to its customers life-insurance products only from DSLA and MLIC respectively. The Distribution Agreements will allow DSB and BCM to continue to provide a range of life-insurance products and services to its customers without creating any disruption to the existing bancassurance business of DSB and BCM as a result of the proposed disposal of DSIS, DSLA and MLIC by DSFH pursuant to the Share Sale Agreement.

(ii) We have compared the range of life-insurance products, commission fee rates and production, marketing and sales payments in the Existing Distribution Agreements and Latest Commission Tables with the life-insurance products in the Distribution Agreements. The range of life-insurance products and fee rates listed in the Distribution Agreements are the same as those listed in the Existing Distribution Agreements and Latest Commission Tables.

(iii) Pursuant to the Distribution Agreements, the commissions rate in respect of each life-insurance product shall be consistent with the commission rates payable from time to time in respect of similar products distributed by other Comparable Life Insurance Companies operating in Hong Kong or Macau in the same or similar distribution channels of DSB or BCM. In addition, the commission rates under the Distribution Agreements may be revised from time to time as agreed by the working committee of DSB or BCM, respectively, and approved by the steering committee of DSB or BCM.

(iv) Based on the review of the announcements of the comparable long-term exclusivity bancassurance partnership arrangements entered into during the recent years, we consider that it is a normal business practice for a bancassurance partnership to be of a 15-year term.

(v) The Company will be able to obtain the Fixed Payments of HK$2.6 billion as the compensation for exclusivity, with the flexibility of selling life-insurance products from other third party insurance companies under certain exceptional conditions. Such Fixed Payments on per customer basis under the Distribution Agreements are higher than the payment per customer under the bancassurance partnership arrangement between DBS and Manulife based on publicly available information. As such, the Company is protected from downside risk of losing customers due to unavailability of certain essential life-insurance products by DSLA and MLIC to meet the customer needs. Together with the analysis on the financial impact of the transactions under the Distribution Agreements, we consider the Fixed Payments comprising upfront fee and deferred payments are fair and reasonable.

(vi) The establishment of steering committees and working committees would strengthen the capability of DSB and BCM to distribute life-insurance products matching customers' needs and to further expand their bancassurance business. The exceptions to the exclusivity as provided under the Distribution Agreements would help to minimise the risk of DSB and BCM losing their customers due to the life-insurance products offered by DSLA and MLIC not being able to meet customers' needs.

(vii) In 2014 and 2015, the production and tactical bonus of sales and marketing allowance amounted to 62.8% and 61.9% of the annual commission income received by DSB, respectively. The initial rate of 60% is comparable to the historical ratio of 62.8% and 61.9% in 2014 and 2015, respectively. As advised by the management of the Company, no material production and tactical bonus nor sales and marketing allowance was granted under the existing distribution arrangement in Macau in 2014 and 2015. As advised by the management of the Company, the initial rate is determined after the arm's length negotiations of the Distribution Agreements with the Purchaser after considering the historical total production and tactical bonus and the sales and marketing allowance under the existing distribution arrangements. As the Macau market is substantially smaller than the Hong Kong market but in close proximity, the Distribution Agreements were negotiated as a whole and for the ease of reference, same set of production, marketing and sales arrangement under Hong Kong Distribution Agreement is adopted by the Macau Distribution Agreement. As such, we are of the view that the production, marketing and sales payments under the Distribution Agreements are on normal commercial terms, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

9. OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the terms of the Distribution Agreements are fair and reasonable in so far the Independent Shareholders are concerned, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole and the Proposed Caps for the three months ending 31 December 2016 and the year ending 31 December 2017 are fair and reasonable. We also consider that it is a normal business practice for a bancassurance partnership to be of a 15-year term based on the review of the announcements of the comparable long-term exclusive bancassurance partnership arrangements entered into during the recent years. DSB and BCM will have a continuation of life-insurance products offering to their customers and potentially improve their customer base. The functions of the steering and working committees in relation to strategic decision-making, business planning, product development, marketing activities and day-to-day bancassurance activities are consistent with the existing practice, and will continue to facilitate negotiation and balance of the authorities in order to optimise benefits to all parties. The Group also has the audit committee to monitor the reasonableness of the continuing connected transactions. Based on the Distribution Agreements, we concur with the management of the Company that the mechanism pursuant to the Distribution Agreements will ensure DSB and BCM receive fees at rates which are consistent with market rates. In the absence of the Distribution Agreements, the termination of the existing distribution agreements, which would be effective after 12 months from serving a termination notice, and any potential conflicts with DSLA and MLIC might cause disruptions to the business operation of DSB and BCM. As such, the Distribution Agreements would allow DSB and BCM to continuously offer life-insurance products and build confidence for offering different products to a potentially larger customer base. In the event that DSB and BCM do not co-operate with DSLA and MLIC, we concur with the management of the Company that DSB and BCM may decrease its opportunity to receive fee income from distribution of the life-insurance products to their customers in the short term as it will take time and resources to negotiate a new bancassurance agreement and build a good co-operative relationship with other third party life insurance companies.

Accordingly, we recommend the Independent Board Committee to advise, and we also recommend, the Independent Shareholders to vote in favour of the ordinary resolution to approve, if thought fit, the Distribution Agreements and the transactions contemplated under the Distribution Agreements at the EGM.

This letter is provided to the Independent Board Committee and the Independent Shareholders in connection with and for the purposes of their evaluation of the Distribution Agreements. The opinion contained in this letter is intended to provide only one of the bases on which (if a general meeting was to be held) the Independent Board Committee may make its recommendation to the Independent Shareholders on how to vote, and on which the Independent Shareholders may decide how to vote, in respect of the Distribution Agreements. This letter may not be disclosed, referred or communicated (in whole or in part) to any third party for any purpose whatsoever, except with our prior written approval. This letter may be reproduced in full in the Circular, but may not otherwise be disclosed, extracted or referred to publicly in any manner without our prior written approval.

Yours faithfully,
for and on behalf of
CITIC CLSA Capital Markets Limited
Edmund Chan
Managing Director, Head of M&A

Mr. Edmund Chan is a licensed person and a responsible officer of CITIC CLSA Capital Markets Limited registered with the Securities and Futures Commission to carry out Type 6 (advising on corporate finance) regulated activities under the SFO since 2008 and has been involved in a wide range of takeover, merger and acquisitions, restructuring and other corporate finance advisory work for Hong Kong listed companies.

1 RESPONSIBILITY STATEMENT

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

2 DISCLOSURE OF INTERESTS

I. 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 or their respective associates had any interest or short position 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 or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were 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 shares of the Company and its associated corporation

	Number of shares				Percentage of interests in the total number of issued shares
Director	**Personal Interests**	**Corporate Interests(1)**	**Other Interests**	**Total Interests**	
Number of ordinary shares in the Company					
David Shou-Yeh Wong	–	1,045,626,955(2)	–	1,045,626,955	74.57%
Number of ordinary shares in DSFH					
David Shou-Yeh Wong	–	11,096,495	126,189,187(3)	137,285,682	40.97%

Notes:

(1) The corporate interests are in respect of shares held by companies in which the director controls one third or more of the voting powers at general meetings.

(2) Such Shares include the corporate interests of David Shou-Yeh Wong under Part XV of the SFO by virtue of his beneficial share interests in the shares of DSFH which currently holds a controlling interest of 74.56% in the Company and interests in the Shares held through a company controlled by David Shou-Yeh Wong.

(3) Such shares are indirectly held by HSBC International Trustee Limited, a trustee of a discretionary trust established for the benefit of David Shou-Yeh Wong and his family members.

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

(i) Share option schemes of the Company

The Shareholders approved the adoption of the New DSBG Option Scheme and, at the same time, the termination of the Old DSBG Option Scheme at the annual general meeting of the Company held on 27 May 2014. No further 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 the exercise of all options granted prior to the termination of the Old DSBG Option Scheme but not yet exercised at the time of termination.

No share options had been granted under the New DSBG Option Scheme since the date of its adoption as at the Latest Practicable Date.

Pursuant to the Old DSBG Option Scheme, certain Directors and directors of the Company's major operating subsidiaries were granted options under the Old DSBG Option Scheme. Details of the outstanding share options as at the Latest Practicable Date which were granted under the Old DSBG Option Scheme are as follows:

	Number of the Company's Shares under option							
Grantee	Held at 31/12/2015[(1)]	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Held at the Latest Practicable Date	Exercise price[(1)]	Grant date	Exercise period[(4)]
						(HK$)	*(D/M/Y)*	*(D/M/Y)*
Directors								
Harold Tsu-Hing Wong	2,907,927	–	–	–	2,907,927	8.91	12/12/2011	12/12/2012 – 12/12/2017
	1,038,545	–	–	–	1,038,545	7.96	21/12/2012	21/12/2013 – 21/12/2018
Gary Pak-Ling Wang	2,700,218	–	–	–	2,700,218	8.91	12/12/2011	12/12/2012 – 12/12/2017
	934,691	–	–	–	934,691	7.96	21/12/2012	21/12/2013 – 21/12/2018

Grantee	Number of the Company's Shares under option: Held at 31/12/2015[1]	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Held at the Latest Practicable Date	Exercise price[1] (HK$)	Grant date (D/M/Y)	Exercise period[4] (D/M/Y)
Aggregate of other employees[2]	2,492,510	–	–	–	2,492,510	8.91	12/12/2011	12/12/2012 – 12/12/2017
	1,557,817	–	(103,855)[3]	–	1,453,962	7.96	21/12/2012	21/12/2013 – 21/12/2018
	249,251	–	(62,313)[3]	–	186,938	11.68	26/03/2014	26/03/2015 – 26/03/2020

Notes:

(1) Adjusted as a result of the rights issue of the Company completed in May 2014. The key summary of related adjustments was announced by the Company on 8 May 2014.

(2) Share options were granted to certain eligible employees, who are directors, senior executives or officers of the major operating subsidiaries of the Company and are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance of Hong Kong.

(3) The weighted average closing price of the Shares immediately before the dates on which the options were exercised during the period was HK$13.54.

(4) All the existing share options 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.

(ii) Share option schemes of DSFH

The Old DSFH Option Scheme expired on 28 April 2015. On 27 May 2015, the shareholders of DSFH approved the adoption of the New DSFH Option Scheme. No further options can be offered under the Old DSFH Option Scheme after its expiration but the provisions of the Old DSFH Option Scheme remain in full force and effect to the extent necessary to give effect to the exercise of all options granted prior to the expiration of the Old DSFH Option Scheme but not yet exercised at the time of expiration.

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

Pursuant to the Old DSFH Option Scheme, certain Director and directors of DSFH's major operating subsidiaries were granted options under the Old DSFH Option Scheme. Details of the outstanding share options as at the Latest Practicable Date which were granted under the Old DSFH Option Scheme are as follows:

	Number of DSFH shares under option							
Grantee	**Held at 31/12/2015[1]**	**Granted during the period**	**Exercised during the period**	**Cancelled/ lapsed during the period**	**Held at the Latest Practicable Date**	**Exercise price[1]** *(HK$)*	**Grant date** *(D/M/Y)*	**Exercise period[3]** *(D/M/Y)*
Director								
Harold Tsu-Hing Wong	260,767	–	–	–	260,767	38.35	12/12/2011	12/12/2012 – 12/12/2017
	156,460	–	–	–	156,460	31.88	21/12/2012	21/12/2013 – 21/12/2018
Others[2]	260,767	–	–	–	260,767	38.35	12/12/2011	12/12/2012 – 12/12/2017
	156,460	–	–	–	156,460	31.88	21/12/2012	21/12/2013 – 21/12/2018

Notes:

(1) Adjusted as a result of the rights issue of DSFH completed in April 2014. The key summary of related adjustments was announced by DSFH on 29 April 2014.

(2) Share options were granted to certain employees of DSFH or its subsidiaries, who are directors, senior executives or officers of the major operating subsidiaries of DSFH and are working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance of Hong Kong.

(3) All the existing share options under the Old DSFH Option Scheme shall be exercisable upon vesting in 5 equal tranches between the first and fifth anniversaries from the date of grant.

All the interests stated above represent long positions. As at the Latest Practicable Date, neither the Directors nor the chief executive of the Company held any short positions as defined under the SFO which are required to be recorded in the register of directors' and chief executives' interests and short positions.

II. 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 were directly or indirectly interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Shareholder	Capacity	Number of shares held	Percentage of interests in the total number of issued shares[3]
Christine Yen Wong	Deemed interest by virtue of her spouse having a notifiable interest	1,045,626,955[1]	74.57%
Dah Sing Financial Holdings Limited	Beneficial interest	1,045,461,643	74.56%
HSBC International Trustee Limited	Trustee and corporate interest	1,045,461,643[2]	74.56%

Notes:

(1) Such Shares represented the deemed share interest of Christine Yen Wong by virtue of her spouse, David Shou-Yeh Wong, being a substantial shareholder of DSFH which held a controlling corporate interest in the relevant share capital of the Company and interest in the Company held through a company in which David Shou-Yeh Wong has a controlling interest. Christine Yen Wong is taken to have a duty of disclosure in respect of the deemed interest in the Company. These interests comprise the same interest of David Shou-Yeh Wong under the heading of "Interests of Directors and Chief Executive" above.

(2) Such Shares represent DSFH's corporate interest in the Company indirectly held by HSBC International Trustee Limited ("**HSBCIT**") in trust for a discretionary trust established for the benefit of David Shou-Yeh Wong and his family members. HSBCIT is taken to have a duty of disclosure in relation to the relevant shares of the Company held through its controlled companies. Related shares have been included in the "Corporate interests" of David Shou-Yeh Wong as disclosed under the heading of "Interests of Directors and Chief Executive" above.

(3) Percentage of interests held by each named Shareholder was calculated with reference to the total number of issued shares of the Company as at the Latest Practicable Date.

All the interests stated above represent long positions. As at the Latest Practicable Date, no short positions were recorded in the register of shareholders' interests in shares and short positions maintained by the Company.

3 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 Group within one year without payment of any compensation (other than statutory compensation).

4 COMPETING INTERESTS

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 in the Listing Rules) was interested in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder).

5 INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been, since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

6 MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Company have been made up.

7 QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its opinion or advice for the inclusion in this circular:

Name	Qualification
CITIC CLSA Capital Markets Limited	A licensed corporation to carry out Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

CITIC CLSA has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and the references to its name (including its qualification) in the form and context in which they respectively appear.

As at the Latest Practicable Date, CITIC CLSA 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.

8 MISCELLANEOUS

(1) The Company's registered office is at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong.

(2) 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.

(3) Ms. Doris Wai-Nar Wong is the company secretary of the Company. Ms. Wong is a fellow member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators of the United Kingdom.

(4) The English text of this circular shall prevail over the Chinese text in the event of any inconsistency.

9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company in Hong Kong at 36th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Hong Kong during normal business hours on any weekday (excluding public holidays) for a period of 14 days from the date of this circular:

(1) the Hong Kong Distribution Agreement;

(2) the Macau Distribution Agreement;

(3) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 21 to 22 of this circular;

(4) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 23 to 55 of this circular;

(5) the written consent referred to in the section headed "7. Qualification and Consent of Expert" in this appendix; and

(6) this circular.

大新銀行集團有限公司
DAH SING BANKING GROUP LIMITED

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
The holding company of Dah Sing Bank, Limited
(Stock Code: 2356)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Dah Sing Banking Group Limited (the "**Company**") will be held at 20th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong on Friday, 5 August 2016 at 4:30 p.m. for the purpose of considering and, if thought fit, passing the following resolution, with or without amendments, as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

(a) the distribution agreement to be entered into among Dah Sing Life Assurance Company Limited as the insurer, Dah Sing Insurance Services Limited as the agent and Dah Sing Bank, Limited as the distributor in relation to the distribution of life-insurance products in Hong Kong (the "**Hong Kong Distribution Agreement**", a copy of which is produced to the meeting marked "**A**" and initialled by the chairman of this meeting for the purpose of identification), and all transactions contemplated under or referred to in the Hong Kong Distribution Agreement and in connection therewith and any other agreements or documents in connection therewith be and are hereby approved, confirmed and/or ratified;

(b) the distribution agreement to be entered into between Macau Life Insurance Company Limited as the insurer and Banco Comercial de Macau, S.A. as the distributor in relation to the distribution of life-insurance products in Macau (the "**Macau Distribution Agreement**", a copy of which is produced to the meeting marked "**B**" and initialled by the chairman of this meeting for the purpose of identification), and all transactions contemplated under or referred to in the Macau Distribution Agreement and in connection therewith and any other agreements or documents in connection therewith be and are hereby approved, confirmed and/or ratified; and

(c) any one director of the Company be and is hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents which he may in his absolute discretion considers to be necessary, desirable, appropriate or expedient to implement or assist any subsidiary of the Company to implement and/or give effect to the Hong Kong Distribution Agreement, the Macau Distribution Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection with the Hong Kong Distribution Agreement, the Macau Distribution Agreement and/or any further agreement or document as mentioned in paragraphs (a) and (b) of this resolution and/or the transactions contemplated thereunder and all other matters incidental thereto, including agreeing and making any modification, amendments, waivers, variations or extensions of the Hong Kong Distribution Agreement, the Macau Distribution Agreement and/or any further agreement or document as mentioned in paragraphs (a) and (b) of this resolution and/or the transactions contemplated thereunder."

By Order of the Board
Dah Sing Banking Group Limited
Doris Wai-Nar Wong
Company Secretary

Hong Kong, 16 July 2016

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) (Vice Chairman), Harold Tsu-Hing Wong (Managing Director and Chief Executive) and Gary Pak-Ling Wang as executive directors; Mr. Shoji Hirai as non-executive director; Messrs. Robert Tsai-To Sze, Andrew Kwan-Yuen Leung, Seng-Lee Chan and Yuen-Tin Ng as independent non-executive directors.

Notes:

1. A shareholder of the Company entitled to attend and vote at the EGM 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 EGM, 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 EGM 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 Thursday, 4 August 2016 to Friday, 5 August 2016, 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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 3 August 2016 for the purpose of determining shareholders' eligibility to attend and vote at the EGM.

4. A form of proxy for use at the EGM 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 deposited at the Company's share registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.

6. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person if he/she is subsequently able to be present and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

7. The ordinary 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 EGM date, the EGM 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.