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

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

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CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)

**REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS
UNDER THE SERVICE AGREEMENT
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



Gram Capital Limited
嘉林資本有限公司

A letter from the Board is set out on pages 6 to 21 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 22 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 33 of this circular.

A notice convening the SGM to be held at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Wednesday, 26 August 2020 at 9:30 a.m. is set out on pages 37 to 38 of this circular.

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

PRECAUTIONARY MEASURES FOR THE SGM

Please see page 1 of this circular for measures being taken to try to prevent and control the spread of the novel coronavirus (COVID-19) pandemic at the SGM, including:

- compulsory temperature checks and health declarations;
- wearing of surgical face masks; and
- no distribution of corporate gifts and refreshments.

Any person who does not comply with the precautionary measures may be denied entry into the SGM venue. The Company strongly encourages attendees to wear face masks and reminds Shareholders that they may appoint the chairman of the SGM as their proxy to vote on the relevant resolution at the SGM as an alternative to attending the SGM in person.

3 August 2020

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PRECAUTIONARY MEASURES FOR THE SGM

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

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

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

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

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

DEFINITIONS

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

“2017 Service Agreement”	the service agreement entered into between the Company (for itself and on behalf of other members of the Group) and CMBCI (for itself and on behalf of other members of CMBCI Group other than the members of the Group) on 3 October 2017
“2019 Circular”	the circular of the Company dated 30 August 2019
“AM Clients”	China Minsheng Group, its associates or any third parties who are deemed to be connected with the Company under Rule 14A.20 of the Listing Rules
“AM Related Products”	the equity or debt securities or funds or investment products arranged by the Group to China Minsheng Group and its associates
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Minsheng”	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 1988) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600016)
“China Minsheng Group”	China Minsheng and its subsidiaries, excluding the members of the Group
“CMBC Investment”	CMBC International Investment Limited (民銀國際投資有限公司), a company incorporated in the British Virgin Islands and a controlling shareholder of the Company
“CMBCI”	CMBC International Holdings Limited (民生商銀國際控股有限公司), a company incorporated in Hong Kong with limited liability, an indirect controlling shareholder of the Company and a wholly owned subsidiary of China Minsheng

DEFINITIONS

“CMBCI Group”	CMBCI and its subsidiaries, excluding the members of the Group
“Company”	CMBC Capital Holdings Limited (民銀資本控股有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 1141)
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Existing Annual Caps”	the annual caps for the continuing connected transactions of the Listco AM Services (as defined in the section headed “Letter from the Board”) under the Service Agreement for the years ending 31 December 2020 and 2021 as approved by the then Independent Shareholders at the special general meeting of the Company held on Monday, 23 September 2019
“Gram Capital” or “Independent Financial Adviser”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Proposed Revised Annual Caps
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua, which has been established to advise the Independent Shareholders on the Proposed Revised Annual Caps for the Listco AM Services
“Independent Shareholders”	the Shareholders other than CMBC Investment and its associates
“Independent Third Party(ies)”	any person(s) who is/are not connected person(s) of the Company
“Latest Practicable Date”	27 July 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listco AM Services”	the asset management services investment advisory services and ancillary services provided by the Group to the AM Clients and the distribution services to be provided by China Minsheng Group to the Group pursuant to the Service Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“PRC”	the People’s Republic of China, for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Proposed Revised Annual Caps”	the revised annual caps for the Listco AM Services under the Service Agreement for the years ending 31 December 2020 and 2021, as adjusted by the Board subject to the approval of the Independent Shareholders at the SGM
“regulated activity(ies)”	has the meaning ascribed to it under the SFO
“RMB”	Renminbi, the lawful currency of the PRC
“securities”	has the meaning ascribed to it under the SFO

DEFINITIONS

“Service Agreement”	the service agreement dated 23 July 2019 entered into between the Company (for itself and on behalf of other members of the Group) and China Minsheng (for itself and on behalf of other members of China Minsheng Group other than the members of the Group)
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGM”	the special general meeting of the Company to be held at 9:30 a.m. on Wednesday, 26 August 2020 at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong, or any adjournment thereof, for the Shareholders to consider and, if thought fit, approve the Proposed Revised Annual Caps for the Listco AM Services
“Share(s)”	ordinary share(s) of the Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	the shareholder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholders”	has the same meaning as ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

LETTER FROM THE BOARD



CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)

Executive Directors:

Mr. Li Jinze (*Chairman*)

Mr. Ding Zhisuo

Mr. Ng Hoi Kam

Non-executive Directors:

Mr. Ren Hailong

Mr. Liao Zhaohui

Independent non-executive Directors:

Mr. Lee, Cheuk Yin Dannis

Mr. Wu Bin

Mr. Wang Lihua

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Principal Place of Business
in Hong Kong:*

45/F, One Exchange Square

8 Connaught Place

Central

Hong Kong

3 August 2020

To the Shareholders

Dear Sir or Madam,

REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS UNDER THE SERVICE AGREEMENT AND NOTICE OF SPECIAL GENERAL MEETING

I. INTRODUCTION

Reference is made to the announcement of the Company dated 23 July 2019, the 2019 Circular, the poll results announcement of the special general meeting of the Company dated 23 September 2019 and the announcement of the Company dated 27 July 2020 in respect of, among others, (i) the Service Agreement; (ii) the Existing Annual Caps; and (iii) the Proposed Revised Annual Caps for the provision of the Listco AM Services for the years ending 31 December 2020 and 2021 under the Service Agreement.

LETTER FROM THE BOARD

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

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

The Service Agreement and the annual caps relevant to each of the above services were approved by the then Independent Shareholders at the Company’s special general meeting held on 23 September 2019.

During the process of the Company’s internal review on continuing connected transactions, it was noted that the transaction amounts relating to the provision of the Listco AM Services for the years ending 31 December 2020 and 2021 under the Service Agreement are expected to exceed the Existing Annual Caps. Therefore, on 27 July 2020, the Board announced that the Existing Annual Caps for the Listco AM Services for the years ending 31 December 2020 and 2021 would be insufficient to satisfy the Group’s current needs due to an unanticipated greater demand for such services and the Board proposed to seek prior approval of Independent Shareholders under Rule 14A.54 of the Listing Rules to revise the Existing Annual Caps to the Proposed Revised Annual Caps for the years ending 31 December 2020 and 2021 to accommodate such needs. The annual caps for the Underwriting Referral Services and the Underwriting Services which were approved in the special general meeting held on 23 September 2019 remain unchanged.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the Proposed Revised Annual Caps for the Listco AM Services for the years ending 31 December 2020 and 2021 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Proposed Revised Annual Caps for the Listco AM Services for the years ending 31 December 2020 and 2021 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

LETTER FROM THE BOARD

The purposes of this circular are to provide you with:

- (i) the details in respect of the Proposed Revised Annual Caps;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders with their advice and recommendations in relation to the Proposed Revised Annual Caps;
- (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders with their advice in relation to the Proposed Revised Annual Caps; and
- (iv) a notice to convene the SGM at which ordinary resolution will be proposed, among other things, for the Independent Shareholders to consider and, if thought fit, approve the Proposed Revised Annual Caps.

II. PRINCIPAL TERMS OF THE SERVICE AGREEMENT IN RELATION TO THE LISTCO AM SERVICES

Terms and conditions of the Service Agreement in relation to the Listco AM Services as mentioned in the announcement of the Company dated 23 July 2019 and the 2019 Circular remain unchanged.

The principal terms of the Service Agreement in relation to the Listco AM Services are set out below:

Date:	23 July 2019
Parties:	(1) the Company (for itself and on behalf of other members of the Group); and (2) China Minsheng (for itself and on behalf of other members of China Minsheng Group other than members of the Group)
Term:	From 23 September 2019 to 31 December 2021

LETTER FROM THE BOARD

Services to be provided under the Listco AM Services:	<p>(1) the Group agreed to provide asset management services, investment advisory services and ancillary services to the AM Clients; and</p> <p>(2) China Minsheng Group agreed to provide distribution services to the Group for distributing the funds that are set up by the Group (the “Funds”).</p>
Scope of the Listco AM Services:	To be agreed and specified in the individual client agreement(s) between the Group and the AM Clients or the individual service agreement(s) between the Group and China Minsheng Group and may include, inter alia, overseeing the operations of the investment portfolios, provision of investment policies and strategies, making general investment decisions and monitoring the performance of the investment portfolio(s), distribution of the Funds and provision of administrative and management services to the investment portfolio(s).
Pricing basis for the Listco AM Services:	The Group will charge the AM Clients management fees, advisory fees and performance fees for the AM Related Products, and China Minsheng Group will charge the Group distribution fees for distributing the Funds. The fees to be charged by the Group or China Minsheng Group for the Listco AM Services shall be in line with comparable market rates and be no less favourable to the Group than those charged to or by Independent Third Parties. Licensed representatives of type 9 regulated activity of the Group will make reference to at least three recent market comparables generally obtained from public sources, such as SFC’s website, to assess the fees to be charged by the Group, which will be reviewed by the Responsible Officer of type 9 regulated activity of the Group.

LETTER FROM THE BOARD

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

Settlement terms for
the Listco AM
Services:

Unless otherwise specified in the individual client agreement(s) or the individual service contract(s), the distribution fees shall be settled by the Group at the time of the distribution of the Funds and at subsequent anniversaries. The management fees and advisory fees shall generally be settled by the AM Clients indirectly through their attributable assets managed under the Listco AM Services periodically (such as per quarter, semi-annual or per annum). The performance fees (if any) shall generally be settled by the AM Clients indirectly through their attributable assets managed under the Listco AM Services when distributions from the Listco AM Services meet the agreed performance benchmarks.

III. REVISION OF THE EXISTING ANNUAL CAPS

a. Existing Annual Caps and historical figures

Set out below are the Existing Annual Caps for the Listco AM Services to be provided under the Service Agreement for the years ending 31 December 2020 and 2021 as approved by the then Independent Shareholders at the special general meeting of the Company held on 23 September 2019:

	For the year ending 31 December	
	2020	2021
	(HK\$ million)	(HK\$ million)
Listco AM Services		
– Distribution fees*	5	5
– Management fees and advisory fees	94	94
– Performance fees	42	42
Total	141	141

* fees payable by the Group to China Minsheng Group

LETTER FROM THE BOARD

Set out below are the historical transaction amounts for the Listco AM Services provided under the Service Agreement for the years ended 31 December 2018 and 2019 and the five months ended 31 May 2020:

	For the year ended 31 December		For the five months ended
	2018**	2019	31 May 2020
	(HK\$ million)	(HK\$ million)	(HK\$ million)
			(unaudited)
Listco AM Services			
– Distribution fees*	–	–	4.5
– Management fees and advisory fees	24.2	77.0	35.4
– Performance fees	N/A	–	17.5
Total	24.2	77.0	57.4

* fees payable by the Group to China Minsheng Group

** the transaction amount of asset management services offered by the Group to the CMBCI Group under the 2017 Service Agreement

As at the Latest Practicable Date, the Existing Annual Caps for the year ended 31 December 2019 and the year ending 31 December 2020 have not been exceeded.

b. Proposed Revised Annual Caps

Set out below are the Proposed Revised Annual Caps for the Listco AM Services to be provided under the Service Agreement for the years ending 31 December 2020 and 2021:

	For the year ending 31 December	
	2020	2021
	(HK\$ million)	(HK\$ million)
Listco AM Services		
– Distribution fees*	54	62
– Management fees and advisory fees	108	124
– Performance fees	42	62
Total	204	248

* fees payable by the Group to China Minsheng Group

LETTER FROM THE BOARD

c. Basis of the Proposed Revised Annual Caps

The reasons for the increase in the transaction amounts and the basis of the Proposed Revised Annual Caps considered by the Directors are as follows:

1. *Increase in demand for the Listco AM Services*

There has been an increase in demand for the Listco AM Services because the Group has established a good reputation for its asset management services. Specifically, the Group achieved good investment results in 2019, and one of its funds received an award from BarclayHedge, a well-known global fund research institution, for its performance in 2019. The assessment of the award was based on the rate of net investment return of the funds. In addition, the Group has been benefited from the improvement of its management capabilities and China Minsheng Group's business synergy. Further, due to the recent volatility of the RMB, the demand for overseas investment from the PRC has remained strong.

In 2019, the Group's assets management business increased substantially. More particularly, the assets under management ("**AUM**") has increased from approximately HK\$5 billion as at 31 December 2018 to over HK\$8 billion as at 31 December 2019, representing an increase of more than 60%. The increase was attributable to the appointment of the Group by the AM Clients as the investment advisor to provide investment advisory services for certain investment accounts of the AM Clients.

Further, in March 2020, the AM Clients subscribed to the Group's fund at a subscription amount in the range of HK\$400 million to HK\$450 million ("**2020 Fund**").

It is expected that the AM Clients may further invest approximately HK\$1.2 billion in 2020 ("**2020 Investment**").

In light of the above, it is expected that the AUM may reach over HK\$10 billion in 2020.

LETTER FROM THE BOARD

2. *Management fees and advisory fees*

With the increase of the AUM in 2019, the management fees and advisory fees derived from the Listco AM Services surged by approximately 218.2% from approximately HK\$24.2 million for the year ended 31 December 2018 to approximately HK\$77.0 million for the year ended 31 December 2019, representing approximately 81.9% of the relevant Existing Annual Cap for the year ended 31 December 2019.

During the five months ended 31 May 2020, the Group has charged China Minsheng Group approximately HK\$35.4 million for the management fees and advisory fees.

With the further increase in the investment made by the AM Clients in 2020 (i.e., the 2020 Fund and the 2020 Investment), it is anticipated that the management fees and the advisory fees derived from the Listco AM Services will exceed the relevant Existing Annual Caps and reach approximately HK\$100 million.

Based on the amount of the investment made and to be made by the AM Clients in 2018, 2019 and 2020, it is expected that the AM Clients may further invest in 2021. It follows that the management fees and the advisory fees derived from the Listco AM Services will further increase and exceed the relevant Existing Annual Caps. It is expected that such amount may reach approximately HK\$120 million.

For the reasons mentioned above and the factors mentioned in the paragraph headed “5. Other factors” below, the Company proposes to increase the annual caps of the management fees and advisory fees derived from the Listco AM Services for the years ending 31 December 2020 and 2021 to HK\$108 million and HK\$124 million, respectively.

3. *Performance fees*

Under the agreements entered into between the Group and the AM Clients, the Group may charge the AM Clients performance fees where the net asset value of the assets managed by the Group for the AM Clients during the performance period rises above a hurdle rate. As of the Latest Practicable Date, the aggregated value of the assets managed by the Group that were subject to the performance fee was between HK\$5.5 billion and HK\$6.5 billion.

LETTER FROM THE BOARD

The Group has charged China Minsheng Group approximately HK\$17.5 million for the performance fees during the five months ended 31 May 2020. Based on the performance of the funds managed by the Group for China Minsheng Group for the year ended 31 December 2019, and taking into account the addition of the 2020 Fund, it is expected that the Group will charge China Minsheng Group approximately HK\$40 million for the performance fees for the year ending 31 December 2020, representing approximately 95.2% of the relevant Existing Annual Caps. With respect to the year ending 31 December 2021, in light of the addition of the 2020 Investment, the performance fees are expected to exceed the relevant Existing Annual Caps.

For the reasons mentioned above and the factors mentioned in the paragraph headed “5. Other factors” below, the Company proposes to increase the annual caps of the performance fees derived from the Listco AM Services for the year ending 31 December 2021 to HK\$62 million.

4. *Distribution fees*

As mentioned in the 2019 Circular, China Minsheng Group will charge the Group distribution fees for distributing the Funds, and the distribution fees to be charged by China Minsheng Group shall be approximately 0.25% to 2% of the amount of the Funds that are distributed by China Minsheng Group. In accordance with market practice, the distribution fees comprise:

(a) *Subscription fee*

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

(b) *Switching rebate*

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

(c) *Trail fee*

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

LETTER FROM THE BOARD

As at the Latest Practicable Date, the amount of the funds subscribed by the investors that were introduced by China Minsheng Group was between HK\$4 billion and HK\$5 billion. During the five months ended 31 May 2020, China Minsheng Group has charged the Group approximately HK\$4.5 million for the distribution fees. It is estimated that the management fees, advisory fees and performance fees to be charged by the Group for these funds for the year ending 31 December 2020 will amount to approximately HK\$95 million. Hence, the Group will pay China Minsheng Group a distribution fee of approximately HK\$47.5 million. In addition, China Minsheng Group is entitled to charge the Group distribution fees for the 2020 Investment which are estimated to be approximately HK\$3 million. In light of the above, it is anticipated that the distribution fees China Minsheng Group may charge the Group for the year ending 31 December 2020 may amount to approximately HK\$51 million.

As explained in the paragraph headed “2. Management fees and advisory fees” above, it is expected that for the year ending 31 December 2021, the management fees and the advisory fees may reach approximately HK\$120 million. Hence, the distribution fees for the year ending 31 December 2021 may increase to approximately HK\$60 million.

For the reasons mentioned above and the factors mentioned in the paragraph headed “5. Other factors” below, the Company proposes to increase the annual caps of the distribution fees derived from the Listco AM Services for the years ending 31 December 2020 and 2021 to HK\$54 million and HK\$62 million, respectively.

5. *Other factors*

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

- (i) the expected improvement of the capital market condition in the future;
- (ii) the expected business growth of China Minsheng Group in the future;
- (iii) the expected growth and appreciation of the assets managed and to be managed by the Group for the AM Clients in the future; and
- (iv) a buffer added to the total fees estimated for the Listco AM Services to allow for an increase in the total fees received/paid (including the management fees and advisory fees, the performance fees and the distribution fees) due to the unexpected volatility of the performance of investment funds.

LETTER FROM THE BOARD

d. Reasons for and Benefits of the Revision of the Existing Annual Caps

The Board anticipates that, as disclosed above, the demand for the provision of the Listco AM Services under the Service Agreement will continue to increase. The Board considers that the proposed increase in the annual caps by the Group will provide additional stable revenue source for the Group.

In light of the historical transaction amounts in relation to similar transactions provided, the current scale of business, the recent business development trend, the expected growth of the Group and the amount of the Proposed Revised Annual Caps, the Directors expect that the Group's revenue derived from the Listco AM Services for each of the years ending 31 December 2020 and 2021 will not represent a significant portion of the revenue of the Group during the corresponding period which will result in a significant reliance of the Group on China Minsheng Group.

As at the Latest Practicable Date, the Group did not have any intention to enter, and had not entered into any negotiation or agreement, arrangement or understanding to scale down and/or dispose of its business, nor did it have any concrete plan to make any acquisition.

The Board (including the independent non-executive Directors, whose opinion after taking into account the advice of Gram Capital, is included in the section headed "Letter from the Independent Board Committee" in this circular) considers that the Proposed Revised Annual Caps have been revised based on normal commercial terms after arm's length negotiations and are made in the ordinary and usual course of business of the Group. In view of the above and that the Listco AM Services contemplated under the Service Agreement are of revenue nature and will contribute positively to the Group's income, the Board (including the independent non-executive Directors, whose opinion after taking into account the advice of Gram Capital, is included in the section headed "Letter from the Independent Board Committee" in this circular) considers that Proposed Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. INTERNAL CONTROL

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

1. the distribution fees to be charged by China Minsheng Group shall be approximately 0.25% to 2% of the amount of the Funds that are distributed by China Minsheng Group;

LETTER FROM THE BOARD

2. the management fee rate and the advisory fee rate to be charged by the Group shall be in accordance with the Group's and China Minsheng Group's pricing policies, which are determined with reference to the market range of 0.5% to 5% of the net asset value of the assets to be managed by the Group for the AM Clients and will be decided by the relevant Responsible Officer with reference to the Group's pricing policy applicable to all of its clients on a case by case basis;
3. the performance fee rate to be charged by the Group shall be in accordance with the Group's and China Minsheng Group's pricing policies, which are determined with reference to the fee range between 10% and 30% of the appreciation in the net asset value of the assets to be managed by the Group for the AM Clients during the performance period above the hurdle rate after deducting the management fees and will be decided by the relevant Responsible Officer with reference to the Group's pricing policy applicable to all of its clients on a case by case basis;
4. the management fees, advisory fees and performance fees payable for each period are calculated based on the net asset value of the fund (i.e. total assets minus all accrued debts, liabilities and obligations of the fund) as at the end of the relevant period;
5. a Responsible Officer for type 9 regulated activity will, based on the pricing guidelines as described in paragraph 2 above, determine the management fees, advisory fees and performance fees to be charged for each of the Listco AM Services;
6. the Responsible Officer, the senior management and the accounts department of the Company will review the prevailing comparable market rates, quotations or invoices issued to Independent Third Parties for comparison and as a reference to ensure that fees chargeable by the Group to the AM Clients are comparable to those transacted with Independent Third Parties; and
7. the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Listco AM Services.

LETTER FROM THE BOARD

V. IMPLICATIONS UNDER THE LISTING RULES

China Minsheng is the controlling shareholder of the Company which, as at the Latest Practicable Date, holds 30,184,439,093 Shares, representing approximately 63.34% of the issued share capital of the Company. Therefore, each of the members of China Minsheng Group is a connected person of the Company. As such, the Listco AM Services under the Service Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54(1) of the Listing Rules, the Company is required to re-comply with the announcement and shareholders' approval requirements before the Existing Annual Caps are exceeded and the Proposed Revised Annual Caps are adopted.

As the highest applicable percentage ratio in respect of Proposed Revised Annual Caps exceeds 5% as defined by the Listing Rules, the Proposed Revised Annual Caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. GENERAL INFORMATION

The Group

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

China Minsheng Group

With reference to the annual report of China Minsheng for the year ended 31 December 2019, China Minsheng Group mainly provides corporate and personal banking, treasury business, finance leasing, fund and asset management, investment banking and other financial services in the PRC. China Minsheng Group recorded total assets and net profit of approximately RMB6,681,841 million as at 31 December 2019 and RMB54,924 million for the year ended 31 December 2019, respectively. As at 31 December 2019, the sales network of China Minsheng Group had covered 125 cities in the PRC, including 132 branch-level institutions (including 41 tier-one branches, 82 tier-two branches and 9 remote sub-branches), 1,154 business outlets of sub-branches (including business departments), 1,175 community sub-branches, and 147 small business sub-branches.

LETTER FROM THE BOARD

VII. CLOSURE OF REGISTER OF MEMBER

The SGM is scheduled to be held on Wednesday, 26 August 2020. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 21 August 2020 to Wednesday, 26 August 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 August 2020.

VIII. THE SGM AND VOTING AT THE SGM

The SGM will be convened and held at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong on Wednesday, 26 August 2020 at 9:30 a.m. A notice convening the SGM is set out on pages 37 to 38 of this circular, which contains, inter alia, ordinary resolution to approve the Proposed Revised Annual Caps.

For the purpose of compliance with Rule 13.39(4) of the Listing Rules, any resolution put to the vote of the Shareholders at a general meeting shall be decided on a poll except where the chairman of the SGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution set out in the notice will be taken by way of poll.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorised representative, shall have one vote for every fully paid Share of which he/she/it is the holder. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she/it uses in the same way.

Since China Minsheng indirectly holds the entire issued share capital of CMBC Investment, CMBC Investment is treated to have a material interest in the Listco AM Services to be provided under the Service Agreement. Accordingly, CMBC Investment and its associates are required to abstain from voting on the resolution to be proposed at the SGM to approve the Proposed Revised Annual Caps. As at the Latest Practicable Date, CMBC Investment was interested in 29,985,439,093 Shares, representing approximately 62.92% of the issued share capital of the Company.

LETTER FROM THE BOARD

IX. ACTION TO BE TAKEN

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

X. BOARD CONFIRMATION

The Listco AM Services under the Service Agreement are in the ordinary and usual course of business of the Group and on normal commercial terms. The Directors (including the independent non-executive Directors) are of the view that the Listco AM Services and the Proposed Revised Annual Caps as described above are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Due to their positions in China Minsheng and/or its associates, Mr. Li Jinze, Mr. Ding Zhisuo, Mr. Ren Hailong and Mr. Liao Zhaohui, all being Directors, have abstained from voting on the Board resolution approving the Proposed Revised Annual Caps. Save as disclosed above, none of the Directors has any material interest in the Listco AM Services (including Proposed Revised Annual Caps) or were otherwise required to evade or abstain from voting in respect of the relevant Board resolutions.

XI. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on page 22 of this circular and the letter from Gram Capital set out on pages 23 to 33 of this circular. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolution regarding the Proposed Revised Annual Caps for the Listco AM Services to be provided under the Service Agreement.

The Directors (including the independent non-executive Directors) are of the view that the Proposed Revised Annual Caps for the Listco AM Services to be provided under the Service Agreement are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Proposed Revised Annual Caps for the Listco AM Services to be provided under the Service Agreement.

XII. ADDITIONAL INFORMATION

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1141)

3 August 2020

To the Independent Shareholders

Dear Sir or Madam,

REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS UNDER THE SERVICE AGREEMENT

We refer to the circular of the Company dated 3 August 2020 (the “**Circular**”) despatched to the shareholders of CMBC Capital Holdings Limited, of which this letter forms a part. Unless the context otherwise requires, terms defined therein shall have the same meanings when used in this letter.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders on the fairness and reasonableness with respect to the Proposed Revised Annual Caps for the provision of the Listco AM Services under the Service Agreement for the two years ending 31 December 2020 and 2021. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee on the Proposed Revised Annual Caps.

We wish to draw your attention to the section headed “Letter from the Board” set out on pages 6 to 21 of the Circular and the section headed “Letter from Gram Capital” set out on pages 23 to 33 of the Circular containing its advice to us in respect of the Proposed Revised Annual Caps.

Having considered the Proposed Revised Annual Caps and the advice given by Gram Capital, we are of the opinion that the Proposed Revised Annual Caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Proposed Revised Annual Caps.

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

Mr. Lee, Cheuk Yin Dannis

Mr. Wu Bin
Independent non-executive Directors

Mr. Wang Lihua

LETTER FROM GRAM CAPITAL

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



Gram Capital Limited
嘉林資本有限公司

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

3 August 2020

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

Dear Sir/Madam,

REVISION OF ANNUAL CAP OF CONTINUING CONNECTED TRANSACTIONS UNDER THE SERVICE AGREEMENT FOR THE YEARS ENDING 31 DECEMBER 2020 AND 2021

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the revision of the annual caps under the Listco AM Services (the “**Transaction**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 3 August 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 23 July 2019, the Company (for itself and on behalf of other members of the Group) entered into the Service Agreement with China Minsheng (for itself and on behalf of other members of China Minsheng Group), pursuant to which, among other things, the Group agreed to provide the asset management services, investment advisory service and ancillary services to the AM Clients and China Minsheng Group agreed to provide the distribution services to the Group. With reference to the Board Letter, during the process of the Company’s internal review on continuing connected transactions, it was noted that the transaction amounts relating to the provision of the Listco AM Services for the two years ending 31 December 2020 and 31 December 2021 under the Service Agreement are expected to exceed the Existing Annual Caps. The Board proposed to revise the Existing Annual Caps to the Proposed Revised Annual Caps for the two years ending 31 December 2020 and 31 December 2021.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Transaction constitutes continuing connected transactions of the Company and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in relation to (i) the continuing connected transactions of the Company (details of which was set out in the circular of the Company dated 30 August 2019); (ii) a connected transaction of the Company (details of which was set out in the announcement of the Company dated 3 September 2018); and (iii) the major and continuing connected transactions of the Company (details of which was set out in the announcement of the Company dated 28 August 2018). As the aforesaid engagements were independent financial adviser engagements, they do not affect our independence to act as the Independent Financial Adviser. Notwithstanding the aforesaid engagements, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information

LETTER FROM GRAM CAPITAL

have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transaction. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

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

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

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

LETTER FROM GRAM CAPITAL

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Information on the Group

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

Set out below are the audited consolidated financial information of the Group for the two years ended 31 December 2019 as extracted from the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report"):

	For the year ended 31 December 2019 HK\$'000	For the year ended 31 December 2018 HK\$'000	Year on year change %
Revenue	978,683	791,190	23.7
– Securities	129,013	135,982	(5.1)
– Investment and financing	695,439	465,286	49.5
– Asset management, corporate finance and advisory	154,231	189,922	(18.8)

The Group recorded revenue of approximately HK\$978.7 million for the year ended 31 December 2019 ("FY2019"), representing an increase of approximately 23.7% as compared to that for the year ended 31 December 2018 ("FY2018"). Revenue from securities; investment and financing; and asset management, corporate finance and advisory amounted to approximately HK\$129.0 million, HK\$695.4 million and HK\$154.2 million respectively for FY2019. With reference to the 2019 Annual Report, the asset management business saw a significant increase in revenue benefited from the growth of the size of the assets under management and good investment performance, the revenue of which increased by approximately 208.4% to approximately HK\$77.6 million for FY2019, as compared to approximately HK\$25.2 million for FY2018.

With reference to the 2019 Annual Report, the Group had built a cooperative development system with China Minsheng Bank in a regular and efficient manner, through which it can leverage the vast network and the enormous customer base of China Minsheng Bank to facilitate the comprehensive and rapid development of the Group in the areas of securities trading and brokerage, asset management, investment and financing, etc.

LETTER FROM GRAM CAPITAL

Information on China Minsheng

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

With reference to China Minsheng's annual report for FY2019, China Minsheng and its subsidiaries mainly provides corporate and personal banking, treasury business, financial leasing, fund and asset management, investment banking and other financial services in the PRC. China Minsheng Group (including the Group) recorded total assets of approximately RMB6,681,841 million as at 31 December 2019 and net profit attributable to China Minsheng's equity shareholders of RMB53,819 million for FY2019 respectively. As at 31 December 2019, the sales network of China Minsheng had covered 125 cities in the PRC, including 132 branch-level institutions (including 41 tier-one branches, 82 tier-two branches and nine remote sub-branches), 1,154 business outlets of sub-branches (including business departments), 1,175 community sub-branches, and 147 small business sub-branches.

Reasons for and benefits of the Services

As mentioned above, the Group recorded revenue of approximately HK\$978.7 million for FY2019, representing an increase of approximately 23.7% as compared to that for FY2018. The asset management business recorded revenue of approximately HK\$77.6 million for FY2019, representing an increase of approximately 208.4% as compared to that for FY2018.

With reference to the Board Letter, the Board anticipates that the demand for the provision of the Listco AM Services under the Service Agreement will increase. The Board considers that the increase in the annual caps by the Group will provide additional stable revenue source for the Group.

In light of the above, we concur with the Directors that the Transaction is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

Principal terms of the Transaction

According to the Board Letter, the terms and conditions of the Service Agreement in relation to the Listco AM Services remain unchanged. Set out below are the principal terms of Service Agreement in relation to the Listco AM Services as extracted from the Board Letter.

Date:

23 July 2019

LETTER FROM GRAM CAPITAL

Parties:

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

Term:

From 23 September 2019 to 31 December 2021

Services to be provided under the Listco AM Services:

- (1) The Group agreed to provide asset management services, investment advisory services and ancillary services to the AM Clients; and
- (2) China Minsheng Group agreed to provide distribution services to the Group for distributing the funds that are set up by the Group (the “**Funds**”).

Scope of the Listco AM Services:

To be agreed and specified in the individual client agreement between the Group and the AM Clients or the individual service agreement between the Group and China Minsheng Group and may include, inter alia, overseeing the operations of the investment portfolios, provision of investment policies and strategies, making general investment decisions and monitoring the performance of the investment portfolio(s), distribution of the Funds and provision of administrative and management services to the investment portfolio(s).

Pricing basis for the Listco AM Services:

The Group will charge the AM Clients management fees, advisory fees and performance fees for the AM Related Products, and China Minsheng Group will charge the Group distribution fees for distributing the Funds. The fees to be charged by the Group or China Minsheng Group for the Listco AM Services shall be in line with comparable market rates and be no less favourable to the Group than those charged to or by Independent Third Parties. Licensed representatives of type 9 regulated activity of the Group will make reference to at least three recent market comparables generally obtained from public sources, such as SFC’s website, to assess the fees to be charged by the Group, which will be reviewed by the Responsible Officer of type 9 regulated activity of the Group.

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

LETTER FROM GRAM CAPITAL

Settlement Terms for the Listco AM Services:

Unless otherwise specified in the individual client agreement or the individual service contract, the distribution fees shall be settled by the Group at the time of the distribution of the Funds and at subsequent anniversaries. The management fees and advisory fees shall generally be settled by the AM Clients indirectly through their attributable assets managed under the Listco AM Services periodically (such as per quarter, semi-annual or per annum). The performance fees (if any) shall generally be settled by the AM Clients indirectly through their attributable assets managed under the Listco AM Services when distributions from the Listco AM Services meet the agreed performance benchmarks.

As mentioned in the Board Letter, the Company has adopted certain internal control measures (the “**AM IC Measures**”) to ensure that the terms for the Listco AM Services are conducted on normal commercial terms and in accordance with the terms of the Service Agreement and are in the interest of the Group. Details of the AM IC Measures are set out in the section headed “INTERNAL CONTROL” of the Board Letter.

Pursuant to the AM IC Measures,

- (1) the distribution fees to be charged by China Minsheng Group shall be approximately 0.25% to 2% of the amount of the Funds that are distributed by China Minsheng Group (the “**Distribution Fees Mechanism**”);
- (2) the management fee rate (the “**Management Fees Mechanism**”) and the advisory fee rate (the “**Advisory Fees Mechanism**”) to be charged by the Group shall be in accordance with the Group’s and China Minsheng Group’s pricing policies, which are determined with reference to the market total fee range of 0.5% and 5% of the net asset value of the assets to be managed by the Group for the AM Clients and will be decided by the relevant Responsible Officer with reference to the Group’s pricing policy applicable to all of its clients on a case by case basis;
- (3) the performance fees rate to be charged by the Group shall be in accordance with the Group’s and China Minsheng Group’s pricing policies, which are determined with reference to the fee range of 10% and 30% of the appreciation in the net asset value of the assets to be managed by the Group for the AM Clients during the performance period above the hurdle rate after deducting the management fee (the “**Performance Fees Mechanism**”) (the Distribution Fees Mechanism, the Management Fees Mechanism, Advisory Fees Mechanism and the Performance Fees Mechanism, collectively, the “**AM Fees Mechanism**”) and will be decided by the relevant Responsible Officer with reference to the Group’s pricing policy applicable to all of its clients on a case by case basis; and

LETTER FROM GRAM CAPITAL

- (4) the management fees, advisory fees and performance fees payable for each period are calculated based on the net asset value of the fund (i.e. total assets minus all accrued debts, liabilities and obligations of the fund) as at the end of the relevant period. The total assets will be valued based on general market practice of investment funds.

As advised by the Directors, the Group has not entered into any agreements in relation to the provision of distribution services by China Minsheng Group or other Independent Third Parties during 2019 and 2020. As confirmed by the Directors, the distribution fees to be charged by China Minsheng Group or other Independent Third Parties for any future distribution transactions shall be in accordance with the Distribution Fees Mechanism (i.e. within the range of 0.25% to 2% per annum).

For our due diligence purpose, we obtained certain investment management and investment advisory agreements regarding the provision of asset management/investment advisory services by the Group to China Minsheng Group and Independent Third Parties. According to the said agreements and as advised by the Directors, (i) save for the advisory fees under two investment advisory agreements, the management fees and advisory fees are within 0.5% and 5% of the net asset value per annum (i.e. The advisory fees under the two investment advisory agreements were below the said range of 0.5% to 5% of the net asset value of the assets managed. As explained by the Directors, the two agreements were in relation to engagement of the Group as sub-advisor to projects; whereas the total advisory fees charged in the whole project (including those charged by all advisors/sub-advisors) are within the total fee range of 0.5% and 5% of the net asset value of the assets managed) and (ii) the performance fees are within nil to 30% of part of absolute profit, subject to performance.

Having considered the AM Fees Mechanism and that (i) a Responsible Officer for type 9 regulated activity will, based on the pricing guidelines as described in the Management Fees Mechanism, Advisory Fees Mechanism and the Performance Fees Mechanism, determine the management fees, advisory fees and performance fees to be charged for each of the Listco AM Services; (ii) the Responsible Officer, the senior management and the accounts department of the Company will review the prevailing comparable market rates, quotations or invoices issued to Independent Third Parties for comparison and as a reference to ensure that fees chargeable by the Group to the AM Clients are comparable to those transacted with Independent Third Parties; and (iii) the Company's external auditor and the independent non-executive Directors will conduct an annual review of the Listco AM Services, we consider the effective implementation of the AM IC Measures would help to ensure fair pricing of the Listco AM Services.

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

LETTER FROM GRAM CAPITAL

Proposed Revised Annual Caps

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

	For the year ending 31 December 2020 <i>HK\$ million</i>	For the year ending 31 December 2021 <i>HK\$ million</i>
Existing Annual Caps		
– Distribution fees (<i>note</i>)	5	5
– Management fees and advisory fees	94	94
– Performance fees	42	42
Total	141	141
Proposed Revised Annual Caps		
– Distribution fees (<i>note</i>)	54	62
– Management fees and advisory fees	108	124
– Performance fees	42	62
Total	204	248

Note: fees payable by the Group to China Minsheng Group

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

To assess the fairness and reasonableness of the Proposed Revised Annual Caps for the Listco AM Services, we obtained the calculation of the same. We noted from the calculation the amount of existing funds and expected new funds of the Group and their respective management fees and estimated performance fees (if applicable). According to the calculation and as explained by the Directors,

- (i) the Proposed Revised Annual Caps of the management and advisory fees in 2020 are based on the sum of expected asset management/advisory fees of each of the Group’s existing and expected funds/management accounts (with an aggregate fund size over HK\$10 billion in 2020) and a buffer of approximately 8%, while the expected asset management/advisory fees of each of the Group’s existing and expected funds/management accounts are determined based on the respective size of the fund/management account times the management/advisory fee rate of the respective fund/management account (which is in line with the Management Fees Mechanism and the Advisory Fees Mechanism, as the case may be);

LETTER FROM GRAM CAPITAL

- (ii) the Proposed Revised Annual Caps of performance fees in 2020 (not applicable to debt funds) are based on the sum of performance fees of each of the Group's existing and expected funds (with an aggregate beginning fund size over HK\$6 billion), while the expected performance fees of each of the Group's existing and expected funds are determined based on their respective beginning value in 2020 times their respective estimated growth in 2020 (in a range of 2% to 5.7% in excess of the hurdle rate/preferred return) times the performance fees rate of each of the respective the fund (which is in line with the Performance Fees Mechanism); and
- (iii) the Proposed Revised Annual Caps of the distribution fees in 2020 was based on the sum of distribution fees of each of the Group's existing and expected fund which is subject to distribution fees charged by China Minsheng Group (the size of existing fund amounts over HK\$4 billion in 2020 and the size of expected fund amounts over HK\$1 billion in 2020) and a buffer of approximately 13%, while the expected distribution fees of the existing and expected fund is calculated as the respective size of the fund times the distribution fees percentage charged by China Minsheng Group (which is in line with the Distribution Fees Mechanism).

In arriving at the Proposed Revised Annual Caps for Listco AM Services in 2021, the Directors took into account the estimated AUM in 2021 and the AM Fees Mechanism. In particular, the Directors took into account the expected increase in the Group's AUM in 2021. According to the calculation, we noted the estimated size of each of the Group's funds/management accounts in 2021. Their aggregated size is expected to increase by approximately 32% in 2021 as compared to that in 2020. For our due diligence purpose, we obtained information regarding the Group's AUM as at 31 December 2018 and 31 December 2019. Having considered the historical growth of the Group's AUM (i.e. the total AUM increased by over 60% from 31 December 2018 to 31 December 2019), we do not doubt the Directors' estimation of the Group's AUM in 2021.

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

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

LETTER FROM GRAM CAPITAL

Listing Rules implication

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

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

RECOMMENDATION

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

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS**Interests and Short Positions of Directors and the Chief Executives in the Shares and Underlying Shares of the Company**

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

3. COMPETING INTERESTS

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

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

As at the Latest Practicable Date, none of the Directors had any interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

5. CONSENT AND QUALIFICATION OF EXPERT

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

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

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

6. SERVICE CONTRACTS

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

7. MATERIAL ADVERSE CHANGE

Saved as disclosed above, as 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 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MISCELLANEOUS

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

9. DOCUMENTS FOR INSPECTION

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

- (a) the letter from the Independent Board Committee, the text of which is set out on page 22 of this circular;
- (b) the letter from Gram Capital, the text of which is set out on pages 23 to 33 of this circular;
- (c) the written consent of the expert referred to under the section headed "Qualification and Consent of Expert" in this Appendix;
- (d) the Service Agreement;
- (e) the 2017 Service Agreement; and
- (f) this circular.

NOTICE OF SPECIAL GENERAL MEETING



CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1141)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a special general meeting (the “**SGM**”) of CMBC Capital Holdings Limited (the “**Company**”) will be held at 45/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong, on Wednesday, 26 August 2020 at 9:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution of the Company. Unless otherwise defined, capitalized terms used in this notice and the following resolution shall have the same meanings as those defined in the circular of the Company dated 3 August 2020.

ORDINARY RESOLUTION

“THAT

1. (i) the Proposed Revised Annual Caps for each of the two years ending 31 December 2020 and 2021, respectively, for the Listco AM Services provided and to be provided under the Service Agreement, be and are hereby approved, confirmed and ratified;
- (ii) any one director of the Company (the “**Director**”) be and is hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in his opinion to implement and/or give effect to the Proposed Revised Annual Caps; and
- (iii) any one Director be and is hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Proposed Revised Annual Caps which in the opinion of the Directors is not of a material nature and is in the interests of the Company.”

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

Hong Kong, 3 August 2020

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. Any member of the Company entitled to attend and vote at the SGM is entitled to appoint another person as his/her/its proxy to attend and vote instead of him/her/it. A member of the Company who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the SGM. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. A proxy need not be a member of the Company. In addition, a proxy or proxies representing a member of the Company is/are entitled to exercise the same powers on behalf of the member of the Company which he/she/it or they represents as such member of the Company could exercise.
2. The form of proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of a form of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such form of proxy on behalf of the corporation without further evidence of the fact.
3. For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Friday, 21 August 2020 to Wednesday, 26 August 2020, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of shares should ensure that all the share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 August 2020.
4. The form of proxy and (if required by the Board of Directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than forty-eight (48) hours before the time fixed for holding the SGM or adjourned meeting thereof at which the person named in the form of proxy proposes to vote, and in default the form of proxy shall not be treated as valid.
5. Delivery of a form of proxy shall not preclude a member of the Company from attending and voting in person at the SGM convened and in such event, the form of proxy shall be deemed to be revoked.
6. Where there are joint holders of any share, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the SGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

As at the date hereof, the executive Directors are Mr. Li Jinze, Mr. Ding Zhisuo and Mr. Ng Hoi Kam, the non-executive Directors are Mr. Ren Hailong and Mr. Liao Zhaohui, and the independent non-executive Directors are Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua.