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JOINT ANNOUNCEMENT

- (1) PROPOSAL FOR THE PRIVATISATION OF
CHONG HING BANK LIMITED BY
YUE XIU ENTERPRISES (HOLDINGS) LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT
UNDER SECTION 673 OF THE COMPANIES ORDINANCE
and
(2) PROPOSED WITHDRAWAL OF LISTING OF CHONG HING BANK LIMITED
and
(3) ESTABLISHMENT OF THE INDEPENDENT BOARD COMMITTEE
and
(4) APPOINTMENT OF THE INDEPENDENT FINANCIAL ADVISER TO THE
INDEPENDENT BOARD COMMITTEE
and
(5) RESUMPTION OF TRADING

Joint Financial Adviser to the Offeror



China International Capital Corporation
Hong Kong Securities Limited

Joint Financial Adviser to the Offeror



CLSA Capital Markets Limited

(in alphabetical order)

Financial Adviser to the Company



Yue Xiu Capital Limited

Independent Financial Adviser to the
Independent Board Committee



Somerley Capital Limited

INTRODUCTION

The respective directors of the Offeror and the Company jointly announce that on 18 May 2021, the Offeror requested that the Board put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance.

TERMS OF THE PROPOSAL

If the Proposal is approved and implemented:

- (a) all the Scheme Shares in issue on the Record Date will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder of the Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished;
- (b) on the Effective Date, the issued share capital of the Company will be reduced by the cancellation and extinguishment of the Scheme Shares in issue on the Record Date and, immediately after such cancellation, extinguishment and reduction, the issued share capital of the Company will be restored to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror SPV Entity of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares cancelled and extinguished on the Effective Date;
- (c) the Company will become a wholly-owned subsidiary of the Offeror SPV Entity; and
- (d) the listing of the Shares on the Stock Exchange will be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

Cancellation Price

Under the Scheme, the Scheme Shares in issue on the Record Date will be cancelled and extinguished on the Effective Date and, in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished.

As disclosed in the announcements of the Company dated 14 May 2021 and 18 May 2021, the Final Dividend has been approved by the Shareholders at the 2021 AGM and will be paid on 8 June 2021 to the Shareholders whose names appear on the register of members of the Company as at the close of business on 31 May 2021. The Final Dividend is not conditional on the Scheme having become effective and will not be deducted from the Cancellation Price.

If: (a) after the date of this announcement, any dividend, distribution and/or return of capital (excluding the Final Dividend but including the Possible Interim Dividend) is announced, declared, made and/or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Shareholders whose names appear on the register of members of the Company on such record date will be entitled to such dividend, distribution and/or return of capital (as the case may be).

If: (a) after the date of this announcement, any dividend, distribution and/or return of capital (excluding the Final Dividend but including the Possible Interim Dividend) is announced, declared, made and/or paid in respect of the Shares; (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date; and (c) the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share is more than HK\$0.11 per Share (being the amount of the 2020 Interim Dividend), the Cancellation Price will be reduced by an amount equal to the Dividend Adjustment and, unless otherwise specified or the context otherwise requires, any reference in this announcement, the Scheme Document or any other announcement or document in relation to the Scheme to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

Save for the Final Dividend (which has been approved by the Shareholders at the 2021 AGM) and the Possible Interim Dividend (which may or may not be declared by the Board), the Company:

- (a) has not announced or declared any dividend, distribution or return of capital which has not been made or which remains unpaid; and
- (b) does not intend to announce, declare, make or pay any dividend, distribution or return of capital on or before the Effective Date.

The Cancellation Price (assuming that there will be no Dividend Adjustment) represents:

- (a) a premium of approximately **51.2%** over the closing price of HK\$13.76 per Share as quoted on the Stock Exchange on **6 May 2021**, being the **Last Trading Day**;
- (b) a premium of approximately **97.0%** over the closing price of HK\$10.56 per Share as quoted on the Stock Exchange on **5 May 2021**, being the **last full trading day immediately prior to the Last Trading Day**;
- (c) a premium of approximately 101.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five full trading days immediately prior to the Last Trading Day of approximately HK\$10.34 per Share;
- (d) a premium of approximately 102.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 full trading days immediately prior to the Last Trading Day of approximately HK\$10.27 per Share;
- (e) a premium of approximately 103.7% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 15 full trading days immediately prior to the Last Trading Day of approximately HK\$10.21 per Share;
- (f) a premium of approximately 107.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 full trading days immediately prior to the Last Trading Day of approximately HK\$10.03 per Share;
- (g) a premium of approximately 109.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 full trading days immediately prior to the Last Trading Day of approximately HK\$9.91 per Share;

- (h) a premium of approximately 119.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 full trading days immediately prior to the Last Trading Day of approximately HK\$9.48 per Share;
- (i) a premium of approximately 102.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 360 full trading days immediately prior to the Last Trading Day of approximately HK\$10.27 per Share; and
- (j) a discount of approximately 10.1% to the audited consolidated net asset value (excluding additional equity instruments and before the Final Dividend) of the Group of approximately HK\$23.14 per Share as at 31 December 2020 (which is calculated based on the audited consolidated net asset value (excluding additional equity instruments and before the Final Dividend) of the Group of approximately HK\$22,506,464,000 as at 31 December 2020 and 972,526,094 Shares in issue as at 31 December 2020).

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the recent and historic trading prices of the Shares, the publicly available financial information of the Group, the other privatisation transactions in Hong Kong in recent years and the amount of the 2020 Interim Dividend.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Cancellation Price.

Shareholders and potential investors should be aware that: (a) the Possible Interim Dividend may or may not be declared by the Board; and (b) in the event that the Possible Interim Dividend is declared by the Board, the record date to be announced by the Board for determining the entitlements to the Possible Interim Dividend may fall on a day which is earlier than, the same as, or later than, the Effective Date. Shareholders and potential investors are advised to exercise extreme caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

SHARE AWARD OFFER

Under the rules of the Share Award Scheme, upon the satisfaction of the relevant vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme: (a) Share Awards which have been granted to a holder will become vested in such holder in four tranches; and (b) 25% of such Share Awards will become vested in, and the corresponding number of new Shares will therefore be then issued by the Company to, such holder in each of the first calendar year, the second calendar year, the third calendar year, and the fourth calendar year, of continuous service of such holder with the Group after the date on which such Share Awards are granted.

As at the date of this announcement, there are 1,541,837 Outstanding Share Awards (which will, upon the satisfaction of all vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, entitle the holders of such Outstanding Share Awards to receive from the Company an aggregate of 1,541,837 new Shares).

Under the rules of the Share Award Scheme, the vesting of all such 1,541,837 Outstanding Share Awards will not be accelerated if the Proposal is approved and implemented. Given all such 1,541,837 Outstanding Share Awards were granted on either 16 March 2020 or 16 March 2021, none of such 1,541,837 Outstanding Share Awards will become vested in, and no new Shares will therefore be issued by the Company pursuant to the Share Award Scheme to, any holder of any such Outstanding Share Award before 16 March 2022. As the Company does not expect the Effective Date to fall on a day which is later than 28 February 2022, the Company does not expect any of such 1,541,837 Outstanding Share Awards to become vested in any holder of any such Outstanding Share Award on or before the Effective Date in accordance with the rules of the Share Award Scheme.

Pursuant to Rule 13 of the Takeovers Code, the Offeror will make the Share Award Offer to each Outstanding Share Award Holder to cancel all his/her Outstanding Share Award(s) as at the Record Date in exchange for the payment by the Offeror to such Outstanding Share Award Holder of the Share Award Offer Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each such Outstanding Share Award cancelled. The Share Award Offer is conditional upon the Scheme becoming effective. Under the Share Award Offer, the Share Award Offer Price will, upon the satisfaction of the relevant vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, be paid to each Outstanding Share Award Holder on a staggered basis in accordance with the existing vesting schedule of the Outstanding Share Award(s) held by such Outstanding Share Award Holder as at the Record Date.

Any Outstanding Share Award Holder who does not accept the Share Award Offer will not receive any cash consideration under the Share Award Offer in respect of his/her Outstanding Share Award(s) as at the Record Date.

The original purpose of the Share Award Scheme was to award Shares that are listed on the Stock Exchange as an incentive to eligible employees of the Group. However, since the Company will be making an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, in accordance with Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date, the Shares will no longer be listed on the Stock Exchange with effect therefrom. Accordingly, it will no longer be possible for the Company to issue any listed Shares upon the vesting of any Share Awards which remain outstanding immediately following the Effective Date pursuant to the Share Award Scheme. Instead, there will be no open market for the trading of the Shares (including any Shares that are issued by the Company following the Effective Date).

The Board will therefore exercise its discretion to terminate the Share Award Scheme and cancel any Share Awards which remain outstanding following the Effective Date, each with effect from a date falling on or after the Effective Date, in accordance with the terms and conditions of the Share Award Scheme.

WARNING: Accordingly, holders of the Outstanding Share Awards are reminded that they will not receive any consideration for any of their respective Outstanding Share Awards if they decide not to accept the Share Award Offer in respect of their respective Outstanding Share Awards as at the Record Date.

The Offeror will not increase the Share Award Offer Price and does not reserve the right to do so. Holders of the Outstanding Share Awards should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Share Award Offer Price.

The total amount of cash required to implement the Share Award Offer in full (assuming that there will be no Dividend Adjustment) would be approximately HK\$32,070,210.

Further information on the Share Award Offer will be set out in a letter to the holders of the Outstanding Share Awards, which will be despatched at or around the same time as the despatch of the Scheme Document.

CONFIRMATION OF FINANCIAL RESOURCES

As at the date of this announcement, there are 243,467,720 Scheme Shares in issue and 1,541,837 Outstanding Share Awards (which will, upon the satisfaction of all vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, entitle the holders of such Outstanding Share Awards to receive from the Company an aggregate of 1,541,837 new Shares).

Assuming that: (a) none of the 1,541,837 Outstanding Share Awards will become vested, or will be cancelled or lapsed, on or before the Record Date; (b) all Outstanding Share Award Holders will accept the Share Award Offer in full; and (c) no further Shares will be issued, and no further Share Awards and no further share options under the Share Option Scheme will be granted, by the Company on or before the Record Date: (i) the Proposal will involve the cancellation and extinguishment of 243,467,720 Scheme Shares in exchange for the payment by the Offeror to each Scheme Shareholder of the Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished; and (ii) the Share Award Offer will involve the cancellation of 1,541,837 Outstanding Share Awards in exchange for the payment by the Offeror to each Outstanding Share Award Holder of the Share Award Offer Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Outstanding Share Award cancelled. The total amount of cash required to implement the Proposal and the Share Award Offer in full, in each case assuming that there will be no Dividend Adjustment, would be approximately HK\$5,096,198,786.

Assuming that: (a) all of the 1,541,837 Outstanding Share Awards will become vested in, and an aggregate of 1,541,837 new Shares will therefore be issued by the Company to, the holders of such Outstanding Share Awards on or before the Record Date; (b) no Outstanding Share Award will be subject to the Share Award Offer; and (c) no further Shares will be issued, and no further Share Awards and no further share options under the Share Option Scheme will be granted, by the Company on or before the Record Date: (i) the Proposal will involve the cancellation and extinguishment of 245,009,557 Scheme Shares in exchange for the payment by the Offeror to each Scheme Shareholder of the Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished; and (ii) the Share Award Offer will not involve the cancellation of any Outstanding Share Award. The total amount of cash required to implement the Proposal and the Share Award Offer in full, in each case assuming that there will be no Dividend Adjustment, would be approximately HK\$5,096,198,786.

The Offeror intends to finance the entire cash amount required to implement the Proposal and the Share Award Offer in full from its internal cash reserves.

CICC and CLSA (in alphabetical order), the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal and the Share Award Offer.

CONDITIONS OF THE PROPOSAL

The Proposal is, and the Scheme will become effective and binding on the Company and all the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme at the Court Meeting (by way of a poll) by the holders of the Scheme Shares representing at least 75% of the voting rights of the holders of the Scheme Shares present and voting, in person or by proxy, at the Court Meeting; and the votes cast (by way of a poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all the Disinterested Shares, provided that:
 - (i) the Scheme is approved at the Court Meeting (by way of a poll) by at least 75% of the votes attaching to the Independent Scheme Shares that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Independent Scheme Shares;
- (b) the passing by the Shareholders at the EGM of:
 - (i) a special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Record Date; and
 - (ii) an ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror SPV Entity of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished;
- (c) the sanction by the Court of the Scheme (with or without modification) under section 673 of the Companies Ordinance, the confirmation by the Court of the reduction of the issued share capital of the Company involved in the Scheme under section 229 of the Companies Ordinance, and the registration of a copy of the order of the Court by the Registrar of Companies under the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme, respectively;
- (e) all the Approvals having been obtained, completed and/or made and remaining in full force and effect without modification or variation;

- (f) all the Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Authority in any jurisdiction which is not expressly provided for, or is in addition to the legal, regulatory and administrative requirements which are expressly provided for, in the Applicable Laws in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions;
- (g) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions);
- (h) since the date of this announcement, there not having been instituted or remaining outstanding any litigation, arbitration proceeding, prosecution or other legal proceeding to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no litigation, arbitration proceeding, prosecution or other legal proceeding having been threatened in writing against any member of the Group (and no investigation by any Authority in any jurisdiction against or in respect of any member of the Group or the business carried on by any member of the Group having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any member of the Group), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal or the Scheme;
- (i) since the date of this announcement, there having been no adverse change in the business, assets, prospects, profits, losses, results of operations, financial position or condition of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or the Scheme);
- (j) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
 - (i) any indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date;
 - (ii) any agreement, arrangement, licence, permit or instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the Group arising in relation thereto); or
 - (iii) the creation or enforcement of any security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable; and

- (k) save in connection with the implementation of the Proposal, the listing of the Shares on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn.

The Conditions set out in paragraphs (a) to (d) above are not waivable.

The Offeror reserves the right to waive, in whole or in part and generally or in respect of any particular matter:

- (a) all or any of the Conditions set out in paragraphs (e) to (h) above to the extent that any such waiver would not render the Proposal or the implementation of the Proposal in accordance with its terms and conditions illegal; and
- (b) all or any of the Conditions set out in paragraphs (i) to (k) above.

The Company does not have the right to waive any of the Conditions set out in paragraphs (a) to (k) above.

All of the Conditions set out in paragraphs (a) to (k) above must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal, the Scheme and, as the Share Award Offer is conditional upon the Scheme becoming effective, the Share Award Offer will lapse.

In respect of the Condition set out in paragraph (e) above, other than those specifically set out as Conditions above and the application for the withdrawal of the listing of the Shares on the Stock Exchange upon the Scheme becoming effective, as at the date of this announcement, each of the Offeror and the Company is not aware of any Approvals which may be required to be obtained for or in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal.

Pursuant to Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Offeror nor any Offeror Concert Party, nor any person who is subsequently acting in concert with any of them, may within 12 months from the date on which the Proposal is withdrawn or lapses: (a) announce an offer or possible offer for the Company; or (b) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer for the Company.

SHAREHOLDING STRUCTURE OF THE COMPANY, THE SCHEME SHARES AND VOTING AT THE COURT MEETING

As at the date of this announcement, there are 972,862,220 Shares in issue.

As at the date of this announcement, other than the 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company as at the date of this announcement) held by the Offeror SPV Entity, the Offeror does not legally or beneficially own, control, or have direction over, any Shares.

As at the date of this announcement, the Offeror SPV Entity legally or beneficially owns, controls, or has direction over, 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company as at the date of this announcement). Such 729,394,500 Shares will not form part of the Scheme Shares, will not be cancelled upon the Scheme becoming effective, and will not be voted at the Court Meeting.

As at the date of this announcement, the Offeror Concert Parties (other than the Offeror SPV Entity, members of the CICC Group and members of the CLSA Group) legally or beneficially own, control, or have direction over, 87,137,421 Shares (representing approximately 8.96% of the entire issued share capital of the Company as at the date of this announcement). Such 87,137,421 Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting.

As at the date of this announcement, members of the CICC Group (except those which are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code), being the Offeror Concert Parties, do not legally or beneficially own, control, or have direction over, any Shares.

As at the date of this announcement, members of the CLSA Group, being the Offeror Concert Parties, do not legally or beneficially own, control, or have direction over, any Shares.

As at the date of this announcement, the holders of the Scheme Shares beneficially own, control, or have direction over, 243,467,720 Shares (representing approximately 25.03% of the entire issued share capital of the Company as at the date of this announcement). Such Shares comprise: (a) the Shares in issue as at the date of this announcement which are held or beneficially owned by the Offeror Concert Parties (other than the Offeror SPV Entity) as at the date of this announcement; and (b) the Shares in issue as at the date of this announcement which are held or beneficially owned by the Independent Scheme Shareholders as at the date of this announcement.

As at the date of this announcement, the Independent Scheme Shareholders beneficially own, control, or have direction over, 156,330,299 Shares (representing approximately 16.07% of the entire issued share capital of the Company as at the date of this announcement). The Shares held by the Independent Scheme Shareholders will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, and the Independent Scheme Shareholders will be entitled to vote at the Court Meeting.

As at the date of this announcement, there are: (a) no outstanding share options under the Share Option Scheme; and (b) 1,541,837 Outstanding Share Awards (which will, upon the satisfaction of all vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, entitle the holders of such Outstanding Share Awards to receive from the Company an aggregate of 1,541,837 new Shares).

The Company has no intention to: (a) grant any further options under the Share Option Scheme or any further Share Awards under the Share Award Scheme; (b) amend the Share Option Scheme or the Share Award Scheme; or (c) adopt a new share option scheme or a new share award scheme.

EGM

All Shareholders will be entitled to vote at the EGM on: (a) the special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Record Date; and (b) the ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror SPV Entity of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished.

JOINT FINANCIAL ADVISERS TO THE OFFEROR

The Offeror has appointed CICC and CLSA (in alphabetical order) as its joint financial advisers in connection with the Proposal and the Share Award Offer.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising: (a) Mr Chow Cheuk Yu Alfred (a non-executive Director); and (b) Mr Cheng Yuk Wo, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph (each an independent non-executive Director), has been established by the Board in accordance with Rule 2.1 of the Takeovers Code to make recommendations to the Independent Scheme Shareholders and the holders of the Outstanding Share Awards as to: (i) whether the terms of the Proposal, the Scheme and the Share Award Offer are, or are not, fair and reasonable; (ii) whether to vote in favour of the Scheme at the Court Meeting; and (iii) acceptance of the Share Award Offer by the Outstanding Share Award Holders.

As Mr Zhang Zhaoxing (the Chairman of the Board and a non-executive Director) is the Chairman of the board of directors of the Offeror, Mr Li Feng (a non-executive Director) is the Chief Capital Officer of the Offeror, and Ms. Chen Jing (a non-executive Director) is the Chief Financial Officer of the Offeror, each of Mr Zhang Zhaoxing, Mr Li Feng and Ms Chen Jing is not a member of the Independent Board Committee.

INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited has been appointed by the Company, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to: (a) whether the terms of the Proposal, the Scheme and the Share Award Offer are, or are not, fair and reasonable; (b) voting by the Independent Scheme Shareholders at the Court Meeting; and (c) acceptance of the Share Award Offer by the Outstanding Share Award Holders.

WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE

Upon the Scheme becoming effective, all the Scheme Shares in issue on the Record Date will be cancelled and extinguished (with the equivalent number of new Shares being issued, credited as fully-paid, to the Offeror SPV Entity) and the share certificates in respect of such Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, in accordance with Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date.

For the avoidance of doubt, the debt securities of the Company which are listed on the Stock Exchange (Debt Stock Codes: 04419, 05249 and 40329) will remain listed on the Stock Exchange following the Effective Date.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn and, as the Share Award Offer is conditional upon the Scheme becoming effective, the Share Award Offer will lapse.

DESPATCH OF THE SCHEME DOCUMENT

A Scheme Document including, among other things: (a) further details of the Proposal, the Scheme and the Share Award Offer; (b) an explanatory statement of the Scheme; (c) the expected timetable relating to the Proposal, the Scheme and the Share Award Offer; (d) the letter from the Independent Board Committee containing its recommendations to the Independent Scheme Shareholders and the holders of the Outstanding Share Awards in respect of the Proposal, the Scheme and the Share Award Offer; (e) the letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Proposal, the Scheme and the Share Award Offer; and (f) notices of the Court Meeting and the EGM (including proxy forms relating to such meetings for use by the relevant Shareholders) will be despatched to the Shareholders and the holders of the Outstanding Share Awards as soon as practicable and in compliance with the requirements of the Takeovers Code and applicable laws and regulations.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares and the debt securities of the Company which are listed on the Stock Exchange (Debt Stock Codes: 04419, 05249 and 40329) was halted with effect from 10:45 a.m. on 6 May 2021 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares and the debt securities of the Company which are listed on the Stock Exchange (Debt Stock Codes: 04419, 05249 and 40329) with effect from 9:00 a.m. on 20 May 2021.

WARNING

Shareholders, holders of the Outstanding Share Awards and potential investors should be aware that the implementation of the Proposal, the Scheme and the Share Award Offer are subject to the Conditions being fulfilled or waived (as applicable). Accordingly, the Proposal and the Share Award Offer may or may not be implemented and the Scheme may or may not become effective. Shareholders, holders of the Outstanding Share Awards and potential investors are advised to exercise extreme caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This announcement is not intended to, and does not, constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote, approval or acceptance in any jurisdiction pursuant to the Proposal, the Share Award Offer or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal and the Share Award Offer will be made solely through the Scheme Document (and, in respect of the Share Award Offer, together with the letter to the holders of the Outstanding Share Awards which is expected to be despatched at or around the same time as the despatch of the Scheme Document), which will contain the full terms and conditions of the Proposal and the Share Award Offer, including details of how to vote on the Proposal and how to accept the Share Award Offer by the Outstanding Share Award Holders. Any approval or other response to the Proposal or the Share Award Offer should be made only on the basis of information in the Scheme Document (and, in respect of the Share Award Offer, together with the letter to the holders of the Outstanding Share Awards which is expected to be despatched at or around the same time as the despatch of the Scheme Document) and the individual circumstances of the Shareholder or the holder of the Outstanding Share Award(s) making the decision.

The availability of the Proposal and the Share Award Offer to persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or resided or of which they are citizens. Persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong should inform themselves about, and observe, any applicable legal, regulatory or tax requirements of the relevant jurisdictions in which they are located or resided or of which they are citizens and, where necessary, seek their own legal advice. Further details in relation to overseas holders of the Scheme Shares and overseas holders of the Outstanding Share Awards will be contained in the Scheme Document (and, in respect of the Share Award Offer, together with the letter to the holders of the Outstanding Share Awards which is expected to be despatched at or around the same time as the despatch of the Scheme Document).

Notice to U.S. investors

The Proposal and the Scheme relate to the cancellation of the securities of a company incorporated under the laws of Hong Kong by way of a scheme of arrangement provided for under the Companies Ordinance. The Share Award Offer relates to the cancellation of the share awards of a company pursuant to the Takeovers Code. The Proposal, the Scheme and the Share Award Offer are subject to Hong Kong procedural disclosure requirements and practices which are different from those of the United States.

*The Shares are listed on the Stock Exchange and are not listed on a United States national securities exchange or registered under the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules of the Exchange Act. Accordingly, the Proposal, the Scheme and the Share Award Offer are subject to the procedural and disclosure requirements and practices applicable in Hong Kong to schemes of arrangement and securities offer, which differ from the disclosure and procedural and practice requirements applicable under United States federal securities laws.*

The receipt of cash pursuant to the Proposal, the Scheme or the Share Award Offer by a U.S. holder of the securities or share awards of the Company may be a taxable transaction for U.S. federal income tax purposes and under applicable U.S. state and local, as well as foreign and other, tax laws. Each holder of the securities or share awards of the Company is urged to consult his/her/its independent professional adviser immediately regarding the tax consequences of the Proposal, the Scheme and the Share Award Offer applicable to him/her/it.

It may be difficult for a U.S. holder of the securities or share awards of the Company to enforce his/her/its rights and claims arising out of the U.S. federal securities laws, as the Offeror and the Company are incorporated in a country other than the United States, and some or all of their respective officers and directors may be residents of a country other than the United States. A U.S. holder of the securities or share awards of the Company may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, a U.S. holder of the securities or share awards of the Company may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court’s judgement.

Neither the U.S. Securities and Exchange Commission nor any U.S. state securities commission has approved or disapproved the Proposal, the Scheme or the Share Award Offer, or determined if this announcement is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

This announcement is not intended to, and does not, constitute, or form part of, an offer or invitation to purchase or subscribe for any securities of the Company in the United States.

Forward-Looking Statements: This announcement may include forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “envisages”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and include statements regarding the Offeror’s, the Company’s or their respective affiliates’ intentions, beliefs or current expectations. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those made in or suggested by the forward-looking statements contained in this announcement, and may not be indicative of results or developments in subsequent periods. The forward-looking statements and information contained in this announcement are made as of the date hereof and each of the Offeror and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws or the Takeovers Code.

Financial information disclosed in respect of the Proposal, the Scheme and the Share Award Offer has been or will have been prepared in accordance with non-U.S. accounting standards that may not be comparable to financial information of U.S. companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

INTRODUCTION

The respective directors of the Offeror and the Company jointly announce that on 18 May 2021, the Offeror requested that the Board put forward the Proposal to the Scheme Shareholders for the privatisation of the Company by way of a scheme of arrangement under section 673 of the Companies Ordinance.

TERMS OF THE PROPOSAL

If the Proposal is approved and implemented:

- (a) all the Scheme Shares in issue on the Record Date will be cancelled and extinguished on the Effective Date in exchange for the payment by the Offeror to each Scheme Shareholder of the Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished;
- (b) on the Effective Date, the issued share capital of the Company will be reduced by the cancellation and extinguishment of the Scheme Shares in issue on the Record Date and, immediately after such cancellation, extinguishment and reduction, the issued share capital of the Company will be restored to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror SPV Entity of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares cancelled and extinguished on the Effective Date;

- (c) the Company will become a wholly-owned subsidiary of the Offeror SPV Entity; and
- (d) the listing of the Shares on the Stock Exchange will be withdrawn from the Stock Exchange in accordance with Rule 6.15(2) of the Listing Rules.

Upon the Scheme becoming effective, the Cancellation Price (less the Dividend Adjustment (if any)) will be paid to the Scheme Shareholders whose names appear on the register of members of the Company on the Record Date as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date.

Cancellation Price

Under the Scheme, the Scheme Shares in issue on the Record Date will be cancelled and extinguished on the Effective Date and, in consideration therefor, each Scheme Shareholder will be entitled to receive the Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished.

As disclosed in the announcements of the Company dated 14 May 2021 and 18 May 2021, the Final Dividend has been approved by the Shareholders at the 2021 AGM and will be paid on 8 June 2021 to the Shareholders whose names appear on the register of members of the Company as at the close of business on 31 May 2021. The Final Dividend is not conditional on the Scheme having become effective and will not be deducted from the Cancellation Price.

If: (a) after the date of this announcement, any dividend, distribution and/or return of capital (excluding the Final Dividend but including the Possible Interim Dividend) is announced, declared, made and/or paid in respect of the Shares; and (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date, the Shareholders whose names appear on the register of members of the Company on such record date will be entitled to such dividend, distribution and/or return of capital (as the case may be).

If: (a) after the date of this announcement, any dividend, distribution and/or return of capital (excluding the Final Dividend but including the Possible Interim Dividend) is announced, declared, made and/or paid in respect of the Shares; (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date; and (c) the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share is more than HK\$0.11 per Share (being the amount of the 2020 Interim Dividend), the Cancellation Price will be reduced by an amount equal to the Dividend Adjustment and, unless otherwise specified or the context otherwise requires, any reference in this announcement, the Scheme Document or any other announcement or document in relation to the Scheme to the Cancellation Price will be deemed to be a reference to the Cancellation Price as so reduced.

Save for the Final Dividend (which has been approved by the Shareholders at the 2021 AGM) and the Possible Interim Dividend (which may or may not be declared by the Board), the Company:

- (a) has not announced or declared any dividend, distribution or return of capital which has not been made or which remains unpaid; and
- (b) does not intend to announce, declare, make or pay any dividend, distribution or return of capital on or before the Effective Date.

The Cancellation Price (assuming that there will be no Dividend Adjustment) represents:

- (a) a premium of approximately **51.2%** over the closing price of HK\$13.76 per Share as quoted on the Stock Exchange on **6 May 2021**, being the **Last Trading Day**;
- (b) a premium of approximately **97.0%** over the closing price of HK\$10.56 per Share as quoted on the Stock Exchange on **5 May 2021**, being the **last full trading day immediately prior to the Last Trading Day**;
- (c) a premium of approximately 101.2% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last five full trading days immediately prior to the Last Trading Day of approximately HK\$10.34 per Share;
- (d) a premium of approximately 102.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 full trading days immediately prior to the Last Trading Day of approximately HK\$10.27 per Share;
- (e) a premium of approximately 103.7% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 15 full trading days immediately prior to the Last Trading Day of approximately HK\$10.21 per Share;
- (f) a premium of approximately 107.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 full trading days immediately prior to the Last Trading Day of approximately HK\$10.03 per Share;
- (g) a premium of approximately 109.9% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 60 full trading days immediately prior to the Last Trading Day of approximately HK\$9.91 per Share;
- (h) a premium of approximately 119.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 180 full trading days immediately prior to the Last Trading Day of approximately HK\$9.48 per Share;
- (i) a premium of approximately 102.5% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 360 full trading days immediately prior to the Last Trading Day of approximately HK\$10.27 per Share; and
- (j) a discount of approximately 10.1% to the audited consolidated net asset value (excluding additional equity instruments and before the Final Dividend) of the Group of approximately HK\$23.14 per Share as at 31 December 2020 (which is calculated based on the audited consolidated net asset value (excluding additional equity instruments and before the Final Dividend) of the Group of approximately HK\$22,506,464,000 as at 31 December 2020 and 972,526,094 Shares in issue as at 31 December 2020).

Highest and lowest Share prices

During the six-month period ended on and including the Last Trading Day, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$13.76 on 6 May 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$9.20 on 11 January 2021 and 12 January 2021.

The Cancellation Price has been determined on a commercial basis after taking into account, among other things, the recent and historic trading prices of the Shares, the publicly available financial information of the Group, the other privatisation transactions in Hong Kong in recent years and the amount of the 2020 Interim Dividend.

The Offeror will not increase the Cancellation Price and does not reserve the right to do so. Shareholders and potential investors should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Cancellation Price.

Shareholders and potential investors should be aware that: (a) the Possible Interim Dividend may or may not be declared by the Board; and (b) in the event that the Possible Interim Dividend is declared by the Board, the record date to be announced by the Board for determining the entitlements to the Possible Interim Dividend may fall on a day which is earlier than, the same as, or later than, the Effective Date. Shareholders and potential investors are advised to exercise extreme caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

SHARE AWARD OFFER

Under the rules of the Share Award Scheme, upon the satisfaction of the relevant vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme: (a) Share Awards which have been granted to a holder will become vested in such holder in four tranches; and (b) 25% of such Share Awards will become vested in, and the corresponding number of new Shares will therefore be then issued by the Company to, such holder in each of the first calendar year, the second calendar year, the third calendar year, and the fourth calendar year, of continuous service of such holder with the Group after the date on which such Share Awards are granted.

As at the date of this announcement, there are 1,541,837 Outstanding Share Awards (which will, upon the satisfaction of all vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, entitle the holders of such Outstanding Share Awards to receive from the Company an aggregate of 1,541,837 new Shares).

Under the rules of the Share Award Scheme, the vesting of all such 1,541,837 Outstanding Share Awards will not be accelerated if the Proposal is approved and implemented. Given all such 1,541,837 Outstanding Share Awards were granted on either 16 March 2020 or 16 March 2021, none of such 1,541,837 Outstanding Share Awards will become vested in, and no new Shares will therefore be issued by the Company pursuant to the Share Award Scheme to, any holder of any such Outstanding Share Award before 16 March 2022. As the Company does not expect the Effective Date to fall on a day which is later than 28 February 2022, the Company does not expect any of such 1,541,837 Outstanding Share Awards to become vested in any holder of any such Outstanding Share Award on or before the Effective Date in accordance with the rules of the Share Award Scheme.

Pursuant to Rule 13 of the Takeovers Code, the Offeror will make the Share Award Offer to each Outstanding Share Award Holder to cancel all his/her Outstanding Share Award(s) as at the Record Date in exchange for the payment by the Offeror to such Outstanding Share Award Holder of the Share Award Offer Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each such Outstanding Share Award cancelled. The Share Award Offer is conditional upon the Scheme becoming effective. Under the Share Award Offer, the Share Award Offer Price will, upon the satisfaction of the relevant vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, be paid to each Outstanding Share Award Holder on a staggered basis in accordance with the existing vesting schedule of the Outstanding Share Award(s) held by such Outstanding Share Award Holder as at the Record Date.

Any Outstanding Share Award Holder who does not accept the Share Award Offer will not receive any cash consideration under the Share Award Offer in respect of his/her Outstanding Share Award(s) as at the Record Date.

The original purpose of the Share Award Scheme was to award Shares that are listed on the Stock Exchange as an incentive to eligible employees of the Group. However, since the Company will be making an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, in accordance with Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date, the Shares will no longer be listed on the Stock Exchange with effect therefrom. Accordingly, it will no longer be possible for the Company to issue any listed Shares upon the vesting of any Share Awards which remain outstanding immediately following the Effective Date pursuant to the Share Award Scheme. Instead, there will be no open market for the trading of the Shares (including any Shares that are issued by the Company following the Effective Date).

The Board will therefore exercise its discretion to terminate the Share Award Scheme and cancel any Share Awards which remain outstanding following the Effective Date, each with effect from a date falling on or after the Effective Date, in accordance with the terms and conditions of the Share Award Scheme.

WARNING: Accordingly, holders of the Outstanding Share Awards are reminded that they will not receive any consideration for any of their respective Outstanding Share Awards if they decide not to accept the Share Award Offer in respect of their respective Outstanding Share Awards as at the Record Date.

The Offeror will not increase the Share Award Offer Price and does not reserve the right to do so. Holders of the Outstanding Share Awards should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Share Award Offer Price.

The total amount of cash required to implement the Share Award Offer in full (assuming that there will be no Dividend Adjustment) would be approximately HK\$32,070,210.

Further information on the Share Award Offer will be set out in a letter to the holders of the Outstanding Share Awards, which will be despatched at or around the same time as the despatch of the Scheme Document.

CONFIRMATION OF FINANCIAL RESOURCES

As at the date of this announcement, there are 243,467,720 Scheme Shares in issue and 1,541,837 Outstanding Share Awards (which will, upon the satisfaction of all vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, entitle the holders of such Outstanding Share Awards to receive from the Company an aggregate of 1,541,837 new Shares).

Assuming that: (a) none of the 1,541,837 Outstanding Share Awards will become vested, or will be cancelled or lapsed, on or before the Record Date; (b) all Outstanding Share Award Holders will accept the Share Award Offer in full; and (c) no further Shares will be issued, and no further Share Awards and no further share options under the Share Option Scheme will be granted, by the Company on or before the Record Date: (i) the Proposal will involve the cancellation and extinguishment of 243,467,720 Scheme Shares in exchange for the payment by the Offeror to each Scheme Shareholder of the Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished; and (ii) the Share Award Offer will involve the cancellation of 1,541,837 Outstanding Share Awards in exchange for the payment by the Offeror to each Outstanding Share Award Holder of the Share Award Offer Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Outstanding Share Award cancelled. The total amount of cash required to implement the Proposal and the Share Award Offer in full, in each case assuming that there will be no Dividend Adjustment, would be approximately HK\$5,096,198,786.

Assuming that: (a) all of the 1,541,837 Outstanding Share Awards will become vested in, and an aggregate of 1,541,837 new Shares will therefore be issued by the Company to, the holders of such Outstanding Share Awards on or before the Record Date; (b) no Outstanding Share Award will be subject to the Share Award Offer; and (c) no further Shares will be issued, and no further Share Awards and no further share options under the Share Option Scheme will be granted, by the Company on or before the Record Date: (i) the Proposal will involve the cancellation and extinguishment of 245,009,557 Scheme Shares in exchange for the payment by the Offeror to each Scheme Shareholder of the Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished; and (ii) the Share Award Offer will not involve the cancellation of any Outstanding Share Award. The total amount of cash required to implement the Proposal and the Share Award Offer in full, in each case assuming that there will be no Dividend Adjustment, would be approximately HK\$5,096,198,786.

The Offeror intends to finance the entire cash amount required to implement the Proposal and the Share Award Offer in full from its internal cash reserves.

CICC and CLSA (in alphabetical order), the joint financial advisers to the Offeror, are satisfied that sufficient financial resources are available to the Offeror for satisfying its obligations in respect of the full implementation of the Proposal and the Share Award Offer.

CONDITIONS OF THE PROPOSAL

The Proposal is, and the Scheme will become effective and binding on the Company and all the Scheme Shareholders, subject to the fulfilment or waiver (as applicable) of the following Conditions:

- (a) the approval of the Scheme at the Court Meeting (by way of a poll) by the holders of the Scheme Shares representing at least 75% of the voting rights of the holders of the Scheme Shares present and voting, in person or by proxy, at the Court Meeting; and the votes cast (by way of a poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all the Disinterested Shares, provided that:
 - (i) the Scheme is approved at the Court Meeting (by way of a poll) by at least 75% of the votes attaching to the Independent Scheme Shares that are cast either in person or by proxy at the Court Meeting; and
 - (ii) the number of votes cast (by way of a poll) against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Independent Scheme Shares;
- (b) the passing by the Shareholders at the EGM of:
 - (i) a special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Record Date; and
 - (ii) an ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror SPV Entity of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished;
- (c) the sanction by the Court of the Scheme (with or without modification) under section 673 of the Companies Ordinance, the confirmation by the Court of the reduction of the issued share capital of the Company involved in the Scheme under section 229 of the Companies Ordinance, and the registration of a copy of the order of the Court by the Registrar of Companies under the Companies Ordinance;
- (d) the compliance with the procedural requirements of sections 230 and 231 and sections 673 and 674 of the Companies Ordinance in relation to the reduction of the issued share capital of the Company and the Scheme, respectively;
- (e) all the Approvals having been obtained, completed and/or made and remaining in full force and effect without modification or variation;

- (f) all the Applicable Laws having been complied with and no legal, regulatory or administrative requirement having been imposed by any Authority in any jurisdiction which is not expressly provided for, or is in addition to the legal, regulatory and administrative requirements which are expressly provided for, in the Applicable Laws in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions;
- (g) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry (or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order), in each case, which would make the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions);
- (h) since the date of this announcement, there not having been instituted or remaining outstanding any litigation, arbitration proceeding, prosecution or other legal proceeding to which any member of the Group is a party (whether as plaintiff, defendant or otherwise) and no litigation, arbitration proceeding, prosecution or other legal proceeding having been threatened in writing against any member of the Group (and no investigation by any Authority in any jurisdiction against or in respect of any member of the Group or the business carried on by any member of the Group having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any member of the Group), in each case which is material and adverse in the context of the Group taken as a whole or in the context of the Proposal or the Scheme;
- (i) since the date of this announcement, there having been no adverse change in the business, assets, prospects, profits, losses, results of operations, financial position or condition of the Group (to an extent which is material in the context of the Group taken as a whole or in the context of the Proposal or the Scheme);
- (j) the implementation of the Proposal not resulting in, and no event or circumstance having occurred or arisen which would or might be expected to result in:
 - (i) any indebtedness (actual or contingent) of any member of the Group being or becoming repayable (or capable of being declared repayable) immediately or prior to its stated maturity or repayment date;
 - (ii) any agreement, arrangement, licence, permit or instrument to which any member of the Group is a party or by or to which any such member or any of its assets may be bound, entitled or subject (or any of the rights, liabilities, obligations or interests of any member of the Group thereunder) being terminated or adversely modified (or any material obligation or liability on the part of any member of the Group arising in relation thereto); or
 - (iii) the creation or enforcement of any security interest over the whole or any part of the business, property or assets of any member of the Group or any such security (whenever arising) becoming enforceable; and

- (k) save in connection with the implementation of the Proposal, the listing of the Shares on the Stock Exchange not having been withdrawn, and no indication having been received from the Executive and/or the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange is or is likely to be withdrawn.

The Conditions set out in paragraphs (a) to (d) above are not waivable.

The Offeror reserves the right to waive, in whole or in part and generally or in respect of any particular matter:

- (a) all or any of the Conditions set out in paragraphs (e) to (h) above to the extent that any such waiver would not render the Proposal or the implementation of the Proposal in accordance with its terms and conditions illegal; and
- (b) all or any of the Conditions set out in paragraphs (i) to (k) above.

The Company does not have the right to waive any of the Conditions set out in paragraphs (a) to (k) above.

All of the Conditions set out in paragraphs (a) to (k) above must be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal, the Scheme and, as the Share Award Offer is conditional upon the Scheme becoming effective, the Share Award Offer will lapse.

In respect of the Condition set out in paragraph (e) above, other than those specifically set out as Conditions above and the application for the withdrawal of the listing of the Shares on the Stock Exchange upon the Scheme becoming effective, as at the date of this announcement, each of the Offeror and the Company is not aware of any Approvals which may be required to be obtained for or in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions.

Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, the Offeror may only invoke any of the Conditions as a basis for not proceeding with the Proposal if the circumstances which give rise to the right to invoke such Condition are of material significance to the Offeror in the context of the Proposal.

Pursuant to Rule 31.1 of the Takeovers Code, except with the consent of the Executive, neither the Offeror nor any Offeror Concert Party, nor any person who is subsequently acting in concert with any of them, may within 12 months from the date on which the Proposal is withdrawn or lapses: (a) announce an offer or possible offer for the Company; or (b) acquire any voting rights of the Company if the Offeror or persons acting in concert with it would thereby become obliged under Rule 26 of the Takeovers Code to make an offer for the Company.

The Condition set out in paragraph (a) above takes into account the requirements under sections 673 and 674 of the Companies Ordinance and the requirements under Rule 2.10 of the Takeovers Code.

Under sections 673 and 674 of the Companies Ordinance, the Scheme will, subject to the sanction of the Court, be binding on the Company and all the Scheme Shareholders if:

- (a) the Scheme is approved at the Court Meeting by the holders of the Scheme Shares representing at least 75% of the voting rights of the holders of the Scheme Shares present and voting, in person or by proxy, at the Court Meeting; and
- (b) the votes cast against the Scheme at the Court Meeting do not exceed 10% of the total voting rights attached to all the Disinterested Shares.

Under Rule 2.10 of the Takeovers Code, the Scheme may only be implemented if, in addition to satisfying the voting requirements under section 674(2) of the Companies Ordinance:

- (a) the Scheme is approved at the Court Meeting by at least 75% of the votes attaching to the Independent Scheme Shares that are cast either in person or by proxy at the Court Meeting; and
- (b) the number of votes cast against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all the Independent Scheme Shares.

If approved, the Scheme will be binding on all the Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the EGM.

The Independent Scheme Shareholders and the holders of the Outstanding Share Awards are reminded to read: (a) the letter from the Independent Board Committee containing its recommendations to the Independent Scheme Shareholders and the holders of the Outstanding Share Awards in respect of the Proposal, the Scheme and the Share Award Offer; and (b) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Proposal, the Scheme and the Share Award Offer which will be included in the Scheme Document. The holders of the Outstanding Share Awards are also reminded to read the letter to the holders of the Outstanding Share Awards which is expected to be despatched at or around the same time as the despatch of the Scheme Document.

WARNING

Shareholders, holders of the Outstanding Share Awards and potential investors should be aware that the implementation of the Proposal, the Scheme and the Share Award Offer are subject to the Conditions being fulfilled or waived (as applicable). Accordingly, the Proposal and the Share Award Offer may or may not be implemented and the Scheme may or may not become effective. Shareholders, holders of the Outstanding Share Awards and potential investors are advised to exercise extreme caution when dealing in the securities of the Company. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

This announcement is not intended to, and does not, constitute, or form part of, any offer to sell or subscribe for or an invitation to purchase or subscribe for any securities or the solicitation of any vote, approval or acceptance in any jurisdiction pursuant to the Proposal, the Share Award Offer or otherwise, nor shall there be any sale, issuance or transfer of securities of the Company in any jurisdiction in contravention of applicable law. The Proposal and the Share Award Offer will be made solely through the Scheme Document (and, in respect of the Share Award Offer, together with the letter to the holders of the Outstanding Share Awards which is expected to be despatched at or around the same time as the despatch of the Scheme Document), which will contain the full terms and conditions of the Proposal and the Share Award Offer, including details of how to vote on the Proposal and how to accept the Share Award Offer by the Outstanding Share Award Holders. Any approval or other response to the Proposal or the Share Award Offer should be made only on the basis of information in the Scheme Document (and, in respect of the Share Award Offer, together with the letter to the holders of the Outstanding Share Awards which is expected to be despatched at or around the same time as the despatch of the Scheme Document) and the individual circumstances of the Shareholder or the holder of the Outstanding Share Award(s) making the decision. The availability of the Proposal and the Share Award Offer to persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or resided or of which they are citizens. Persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong should inform themselves about, and observe, any applicable legal, regulatory or tax requirements of the relevant jurisdictions in which they are located or resided or of which they are citizens and, where necessary, seek their own legal advice. Further details in relation to overseas holders of the Scheme Shares and overseas holders of the Outstanding Share Awards will be contained in the Scheme Document (and, in respect of the Share Award Offer, together with the letter to the holders of the Outstanding Share Awards which is expected to be despatched at or around the same time as the despatch of the Scheme Document).

SHAREHOLDING STRUCTURE OF THE COMPANY, THE SCHEME SHARES AND VOTING AT THE COURT MEETING

As at the date of this announcement:

- (a) there are 972,862,220 Shares in issue;
- (b) other than the 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company as at the date of this announcement) held by the Offeror SPV Entity, the Offeror does not legally or beneficially own, control, or have direction over, any Shares;
- (c) the Offeror SPV Entity legally or beneficially owns, controls, or has direction over, 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company as at the date of this announcement) (such 729,394,500 Shares will not form part of the Scheme Shares, will not be cancelled upon the Scheme becoming effective and will not be voted at the Court Meeting);

- (d) the Offeror Concert Parties (other than the Offeror SPV Entity, members of the CICC Group and members of the CLSA Group) legally or beneficially own, control, or have direction over, 87,137,421 Shares (representing approximately 8.96% of the entire issued share capital of the Company as at the date of this announcement) (such 87,137,421 Shares will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting);
- (e) members of the CICC Group (except those which are exempt principal traders or exempt fund managers for the purpose of the Takeovers Code), being the Offeror Concert Parties, do not legally or beneficially own, control, or have direction over, any Shares;
- (f) members of the CLSA Group, being the Offeror Concert Parties, do not legally or beneficially own, control, or have direction over, any Shares;
- (g) the holders of the Scheme Shares beneficially own, control, or have direction over, 243,467,720 Shares (representing approximately 25.03% of the entire issued share capital of the Company as at the date of this announcement) (such Shares comprise: (i) the Shares in issue as at the date of this announcement which are held or beneficially owned by the Offeror Concert Parties (other than the Offeror SPV Entity) as at the date of this announcement; and (ii) the Shares in issue as at the date of this announcement which are held or beneficially owned by the Independent Scheme Shareholders as at the date of this announcement);
- (h) the Independent Scheme Shareholders beneficially own, control, or have direction over, 156,330,299 Shares (representing approximately 16.07% of the entire issued share capital of the Company as at the date of this announcement) (the Shares held by the Independent Scheme Shareholders will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective, and the Independent Scheme Shareholders will be entitled to vote at the Court Meeting);
- (i) save for the 225,192 Outstanding Share Awards which are held by Mr Lau Wai Man and Mr Zong Jianxin (each being an Offeror Concert Party) and which will, upon the satisfaction of all vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, entitle them to receive from the Company an aggregate of 225,192 new Shares, there are no convertible securities, warrants or options in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties;
- (j) neither the Offeror nor the Offeror Concert Parties has entered into any outstanding derivative in respect of the securities of the Company;
- (k) neither the Offeror nor the Offeror Concert Parties has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and

- (1) save for the dealings in the Shares set out below by Yue Xiu Securities Company Limited (an indirect subsidiary of the Offeror) which were conducted on a non-discretionary basis for and on behalf of its clients, none of the Offeror, the holding company and the subsidiaries of the Offeror, the directors of the Offeror and the directors of the holding company of the Offeror (each being an Offeror Concert Party) had dealt for value in the Shares in the six months immediately preceding the date of this announcement:

Date of dealing	Purchase/Sale	On/Off the Stock Exchange	Number of Shares	Dealing price per Share
6 November 2020	Purchase	On	1,000	HK\$9.20
24 November 2020	Purchase	On	1,000	HK\$9.34
16 February 2021	Sale	On	3,000	HK\$9.64

For the avoidance of doubt, the Scheme Shares comprise: (a) the Shares in issue which are held or beneficially owned by the Offeror Concert Parties (other than the Offeror SPV Entity) on the Record Date; and (b) the Shares in issue which are held or beneficially owned by the Independent Scheme Shareholders on the Record Date.

As at the date of this announcement, save as disclosed in the section headed “Share Option Scheme and Share Award Scheme”, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in issue.

CICC and CLSA (in alphabetical order) are the joint financial advisers to the Offeror in connection with the Proposal. Accordingly, CICC, members of the CICC Group, CLSA and members of the CLSA Group are presumed to be acting in concert with the Offeror by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code (except members of the CICC Group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code).

Details of holdings, borrowings or lendings of, and dealings in, the Shares, convertible securities, warrants, options or derivatives of the Company by: (a) other members of the CICC Group (except in respect of the Shares held by other members of the CICC Group: (i) which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code; or (ii) on behalf of non-discretionary investment clients); or (b) other members of the CLSA Group (except in respect of the Shares held by other members of the CLSA Group on behalf of non-discretionary investment clients) will be obtained as soon as possible after this announcement has been made in accordance with Note 1 to Rule 3.5 of the Takeovers Code. A further announcement will be made by the Company if such holdings, borrowings, lendings or dealings of or by other members of the CICC Group or other members of the CLSA Group are significant and, in any event, such information will be disclosed in the Scheme Document. The statements in this announcement as to the holdings, borrowings or lendings of, or dealings in, the Shares, convertible securities, warrants, options or derivatives of the Company by the Offeror Concert Parties are subject to such holdings, borrowings, lendings or dealings, if any, of or by other members of the CICC Group or other members of the CLSA Group.

Exempt principal traders which are connected for the sole reason that they are under the same control as CICC are not presumed to be acting in concert with the Offeror. However, Shares held by members of the CICC Group acting in the capacity of exempt principal traders will not be voted at the Court Meeting unless the Executive allows any such Shares to be so voted. Shares held by any member of the CICC Group acting in the capacity of exempt principal trader may, subject to the consent of the Executive, be allowed to be voted at the Court Meeting if: (a) such member of the CICC Group holds the relevant Shares as a simple custodian for and on behalf of any non-discretionary client; (b) there are contractual arrangements in place between such member of the CICC Group and such non-discretionary client that strictly prohibit such member of the CICC Group from exercising any voting discretion over the relevant Shares; (c) all voting instructions originate from such non-discretionary client only (if no instructions are given, then no votes shall be cast for the relevant Shares held by such member of the CICC Group); and (d) such non-discretionary client is not an Offeror Concert Party.

Any dealings in the Shares during the six months prior to 18 May 2021 (being the date of this announcement and the commencement of the offer period (as defined in the Takeovers Code)) and since the commencement of the offer period (as defined in the Takeovers Code) to the latest practicable date prior to the despatch of the Scheme Document by the CICC Group (excluding dealings in the Shares by members of the CICC Group: (a) which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code; or (b) on behalf of non-discretionary investment clients) and the CLSA Group (excluding dealings in the Shares by members of the CLSA Group on behalf of non-discretionary investment clients) will be disclosed in the Scheme Document and pursuant to Rule 22 of the Takeovers Code.

Assuming that: (a) none of the 1,541,837 Outstanding Share Awards will become vested, or will be cancelled or lapsed, on or before the Record Date; (b) all Outstanding Share Award Holders will accept the Share Award Offer in full; (c) no further Shares will be issued, and no further Share Awards and no further share options under the Share Option Scheme will be granted, by the Company on or before the Record Date; and (d) there is no change in the shareholding of the Company before the Scheme becoming effective, the shareholding structure of the Company as at the date of this announcement and immediately upon the Scheme becoming effective is set out below:

	As at the date of this announcement ^(Note 1)		Immediately upon the Scheme becoming effective	
	Number of Shares	%	Number of Shares	%
Offeror SPV Entity ^(Note 2)	729,394,500	74.97	972,862,220 ^(Note 10)	100
Offeror Concert Parties other than the Offeror SPV Entity ^(Note 3) <i>(Shares subject to the Scheme but which are not Independent Scheme Shares)</i> ^(Note 3)				
(a) Guangzhou Metro Investment ^(Note 4)	70,126,000	7.21	–	–
(b) Guangzhou Auto Investment ^(Note 5)	16,950,000	1.74	–	–
(c) Lau Wai Man ^(Note 6)	19,257	0.00	–	–
(d) Zong Jianxin ^(Note 7)	42,164	0.01	–	–
Sub-total of Offeror Concert Parties other than the Offeror SPV Entity	87,137,421	8.96	–	–
Sub-total of the Offeror, Offeror SPV Entity and Offeror Concert Parties	816,531,921	83.93	972,862,220	100
Independent Scheme Shareholders ^(Note 8)	156,330,299	16.07	–	–
Total number of Shares in issue	<u>972,862,220</u>	<u>100</u>	<u>972,862,220</u>	<u>100</u>
Total number of Scheme Shares ^(Note 9)	<u>243,467,720</u>	<u>25.03</u>	<u>–</u>	<u>–</u>

Notes:

1. Save as disclosed in the shareholding structure table above, none of the Directors holds any Shares or Outstanding Share Awards as at the date of this announcement.
2. The Shares held by the Offeror SPV Entity will not form part of the Scheme Shares, will not be cancelled upon the Scheme becoming effective and will not be voted at the Court Meeting.
3. The Shares held by the Offeror Concert Parties (other than the Offeror SPV Entity) will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting.
4. As at the date of this announcement, 70,126,000 Shares are held by Guangzhou Metro Investment. Given: (a) Guangzhou Metro Investment is a wholly-owned subsidiary of Guangzhou Metro; (b) Guangzhou Metro is wholly owned by the Guangzhou Government; (c) the Offeror is a wholly-owned subsidiary of Yuexiu Holdings; and (d) Yuexiu Holdings is beneficially wholly-owned by the Guangzhou Government, each of Guangzhou Metro Investment and Guangzhou Metro is presumed to be acting in concert with the Offeror under the Takeovers Code for the purpose of the Proposal.

5. *As at the date of this announcement, 16,950,000 Shares are held by Guangzhou Auto Investment. Given: (a) Guangzhou Auto Investment is a wholly-owned subsidiary of Guangzhou Auto; (b) Guangzhou Auto is a subsidiary of Guangzhou Auto Group; (c) Guangzhou Auto Group is wholly owned by the Guangzhou Government; (d) the Offeror is a wholly-owned subsidiary of Yuexiu Holdings; and (e) Yuexiu Holdings is beneficially wholly-owned by the Guangzhou Government, each of Guangzhou Auto Investment, Guangzhou Auto and Guangzhou Auto Group is presumed to be acting in concert with the Offeror under the Takeovers Code for the purpose of the Proposal.*
6. *As at the date of this announcement, Mr Lau Wai Man holds 19,257 Shares and 74,386 Outstanding Share Awards (which will, upon the satisfaction of all vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, entitle him to receive from the Company an aggregate of 74,386 new Shares). As Mr Lau Wai Man is considered to be acting in concert with the Offeror, the Shares held by Mr Lau Wai Man will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting.*
7. *As at the date of this announcement, Mr Zong Jianxin holds 42,164 Shares and 150,806 Outstanding Share Awards (which will, upon the satisfaction of all vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, entitle him to receive from the Company an aggregate of 150,806 new Shares). As Mr Zong Jianxin is considered to be acting in concert with the Offeror, the Shares held by Mr Zong Jianxin will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective but will not be voted at the Court Meeting.*
8. *The Shares held by the Independent Scheme Shareholders (including the 23,693 Shares held by Yue Xiu Securities Company Limited (an indirect subsidiary of the Offeror) for and on behalf of its non-discretionary investment clients, where: (a) such clients control the voting rights attaching to such Shares; (b) if such Shares are voted, such clients give instructions as to how such Shares are to be voted; and (c) none of such clients is the Offeror or an Offeror Concert Party) will form part of the Scheme Shares and will be cancelled upon the Scheme becoming effective. The Independent Scheme Shareholders (including Yue Xiu Securities Company Limited (an indirect subsidiary of the Offeror) in respect of the Shares held by Yue Xiu Securities Company Limited (an indirect subsidiary of the Offeror) for and on behalf of any non-discretionary investment client, where such client: (a) controls the voting rights attaching to such Shares; (b) if such Shares are voted, gives instructions as to how such Shares are to be voted; and (c) is not the Offeror or an Offeror Concert Party) will be entitled to vote at the Court Meeting.*
9. *The Scheme Shares comprise: (a) the Shares in issue which are held or beneficially owned by the Offeror Concert Parties (other than the Offeror SPV Entity) on the Record Date; and (b) the Shares in issue which are held or beneficially owned by the Independent Scheme Shareholders on the Record Date.*
10. *Upon the Scheme becoming effective, the issued share capital of the Company will be reduced by the cancellation and extinguishment of the Scheme Shares in issue on the Record Date and, immediately after such cancellation, extinguishment and reduction, the issued share capital of the Company will be restored to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror SPV Entity of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares cancelled and extinguished on the Effective Date. Upon the Scheme becoming effective, the Company will become a wholly-owned subsidiary of the Offeror SPV Entity.*

SHARE OPTION SCHEME AND SHARE AWARD SCHEME

As at the date of this announcement, there are: (a) no outstanding share options under the Share Option Scheme; and (b) 1,541,837 Outstanding Share Awards (which will, upon the satisfaction of all vesting and other conditions as set out in the rules of the Share Award Scheme and/or as specified by the Board, and subject to the compliance with the rules of the Share Award Scheme, entitle the holders of such Outstanding Share Awards to receive from the Company an aggregate of 1,541,837 new Shares).

The Company has no intention to: (a) grant any further options under the Share Option Scheme or any further Share Awards under the Share Award Scheme; (b) amend the Share Option Scheme or the Share Award Scheme; or (c) adopt a new share option scheme or a new share award scheme.

EGM

All Shareholders will be entitled to vote at the EGM on: (a) the special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Record Date; and (b) the ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror SPV Entity of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished.

The Offeror SPV Entity has indicated that, if the Scheme is approved at the Court Meeting, the Offeror SPV Entity will vote in favour of: (a) the special resolution to approve and give effect to the reduction of the issued share capital of the Company on the Effective Date by the cancellation and extinguishment of the Scheme Shares in issue on the Record Date; and (b) the ordinary resolution to approve and give effect to, immediately after such cancellation, extinguishment and reduction, the restoration of the issued share capital of the Company to the amount immediately prior to such cancellation, extinguishment and reduction by the issue by the Company to the Offeror SPV Entity of such number of new Shares (credited as fully-paid by applying the reserve created as a result of such cancellation, extinguishment and reduction) as is equal to the number of the Scheme Shares so cancelled and extinguished.

REASONS FOR AND BENEFITS OF THE PROPOSAL

For the Company: The Offeror believes the Proposal would allow the Company to expand and enhance the Group's businesses more efficiently without diluting the independent Shareholders' interests

The Offeror acquired Shares in the Company in 2014 with the intention to tap into the vast growth potential of the banking sector in Mainland China, and currently maintaining 74.97% majority controlling interest in the Company as at the date of this announcement. Over the past five years, the Group has undergone smooth business development by offering comprehensive and diverse commercial banking and financial services to individual and corporate customers. The number of branches and sub-branches in Mainland China increased from one at the end of the financial year ended 31 December 2013 to 10 by the end of the financial year ended 31 December 2020, and the Group's total assets has grown from approximately HK\$85.2 billion to approximately HK\$232.9 billion during the same period. To support the Company's remarkable growth, the Offeror has continued to invest substantially in the Company over these years. For example, the Offeror participated in both rights issues conducted by the Company in 2015 and 2018 and made a total investment of approximately HK\$6.2 billion.

As disclosed in the annual report of the Company for the financial year ended 31 December 2020, the Company intends to establish a wholly-owned subsidiary and develop new core operations in Mainland China with a view to upgrading itself as a national bank. In the ensuing years, the Company estimates that very substantial equity capital will be required to fund the expansion and long-term growth. The implementation of the growth plan will also carry potential execution risks and may incur significant costs before the long term benefits can be realised.

On the other hand, any issuance of a significant number of new Shares will dilute net asset value and earnings per share of the Company and put inordinate pressure on the share price of the Company. The Offeror sees no practicable opportunity for the Company to raise new equity from the market in the foreseeable future under current market conditions, and taking the Company private is a viable path for the Company to raise equity capital for growth.

The Proposal, if successfully implemented, would facilitate the Offeror's contribution of financial resources into the Company to satisfy capital requirements without dilution on the independent Shareholders' interests and the Offeror's support of the execution of the Company's growth plan following implementation of the Proposal.

Furthermore, following the implementation of the Proposal, the Offeror and the Company can make strategic decisions free from the pressure of market expectations, short-term profit visibility and share price fluctuation as a publicly listed company. The management of the Company can also better utilise the resources which would otherwise go towards administrative and compliance-related matters on business operations of the Group.

For the Scheme Shareholders: The Offeror believes that the Proposal would enable the Scheme Shareholders to realise their investment in the Company in cash at a significant premium over the prevailing trading price of the Shares against the backdrop of low liquidity

The liquidity of the Shares has been low over a prolonged period, with an average daily trading volume for the last 12 months prior to the Last Trading Day of less than 0.007% of the existing number of issued Shares and an average daily turnover of less than HK\$700,000. The lack of liquidity of the Shares could make it difficult for the Scheme Shareholders to execute any substantial on-market disposals within a reasonable time frame without any material adverse impact on the Share price.

The Company completed two rights issues to raise new capital in 2015 and 2018 respectively. The first exercise was completed in 2015, with each new Share priced at HK\$17.05, raising a total of approximately HK\$3,700 million. The second exercise was completed in 2018 with the subscription price dropped to HK\$14.26 per new Share. Subscription by independent Shareholders in the second exercise was less than enthusiastic. Shares have traded below the rights price since completion of the second rights issue exercise and have dropped below HK\$11.00 most of the time after the market was hit by the COVID-19 pandemic since April 2020.

The Cancellation Price of HK\$20.80 (assuming that there will be no Dividend Adjustment) per Scheme Share represents a premium of approximately 107.4% and 119.4% over the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 30 and 180, respectively, full trading days immediately prior to the Last Trading Day of approximately HK\$10.03 and HK\$9.48, respectively, per Share.

Therefore, the Offeror believes that the Scheme, if successfully implemented, provides a unique liquidity event and the opportunity for the Scheme Shareholders to realise their entire investment in the Company at a significant premium over the current market price without having to suffer any illiquidity discount and, if they so wish, to invest the cash proceeds received under the Scheme in alternative investments with higher liquidity than the Shares or use them for other purposes.

As at the date of this announcement, the Offeror and the Offeror SPV Entity hold an aggregate of approximately 74.97% of the entire issued share capital of the Company. Unless the Offeror or the Offeror SPV Entity agrees to, for example, a sale of their stake, it is unlikely that general offers or privatisation offers by other parties, if any, will be successful. As such, Independent Scheme Shareholders may not have another opportunity in the short or medium term to realise their investment in the Company at the Cancellation Price (less the Dividend Adjustment (if any)), after the Scheme fails or the Proposal lapses.

INTENTION OF THE OFFEROR IN RESPECT OF THE GROUP

As at the date of this announcement, it is the intention of the Offeror for the Group to continue to carry on its existing business and the Offeror does not have any immediate plan to make any material change to: (a) the business of the Group (including any redeployment of any fixed asset of the Group); or (b) the continued employment of the employees of the Group (other than in the ordinary course of business).

INFORMATION ON THE OFFEROR AND YUEXIU HOLDINGS

The Offeror is a wholly-owned subsidiary of Yuexiu Holdings and is principally engaged in three core businesses: real estate, finance and securities, and transport and infrastructure. The Offeror SPV Entity is a wholly-owned subsidiary of the Offeror.

Yuexiu Holdings is beneficially wholly-owned by the Guangzhou Government and is principally engaged in four core businesses: real estate, finance and securities, transport and infrastructure, agriculture and food, as well as other traditional businesses such as papermaking business.

INFORMATION ON THE GROUP

The Company is an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) and the Group is principally engaged in the provision of banking and related financial services. As at the date of this announcement, the Company has 34 branches in Hong Kong, 10 branches and sub-branches in the Mainland China and one branch in Macau.

JOINT FINANCIAL ADVISERS TO THE OFFEROR

The Offeror has appointed CICC and CLSA (in alphabetical order) as its joint financial advisers in connection with the Proposal and the Share Award Offer.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising: (a) Mr Chow Cheuk Yu Alfred (a non-executive Director); and (b) Mr Cheng Yuk Wo, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph (each an independent non-executive Director), has been established by the Board in accordance with Rule 2.1 of the Takeovers Code to make recommendations to the Independent Scheme Shareholders and the holders of the Outstanding Share Awards as to: (i) whether the terms of the Proposal, the Scheme and the Share Award Offer are, or are not, fair and reasonable; (ii) whether to vote in favour of the Scheme at the Court Meeting; and (iii) acceptance of the Share Award Offer by the Outstanding Share Award Holders.

As Mr Zhang Zhaoxing (the Chairman of the Board and a non-executive Director) is the Chairman of the board of directors of the Offeror, Mr Li Feng (a non-executive Director) is the Chief Capital Officer of the Offeror, and Ms. Chen Jing (a non-executive Director) is the Chief Financial Officer of the Offeror, each of Mr Zhang Zhaoxing, Mr Li Feng and Ms Chen Jing is not a member of the Independent Board Committee.

INDEPENDENT FINANCIAL ADVISER

Somerley Capital Limited has been appointed by the Company, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to: (a) whether the terms of the Proposal, the Scheme and the Share Award Offer are, or are not, fair and reasonable; (b) voting by the Independent Scheme Shareholders at the Court Meeting; and (c) acceptance of the Share Award Offer by the Outstanding Share Award Holders.

WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE

Upon the Scheme becoming effective, all the Scheme Shares in issue on the Record Date will be cancelled and extinguished (with the equivalent number of new Shares being issued, credited as fully-paid, to the Offeror SPV Entity) and the share certificates in respect of such Scheme Shares will thereafter cease to have effect as documents or evidence of title. The Company will make an application to the Stock Exchange for the withdrawal of the listing of the Shares on the Stock Exchange, in accordance with Rule 6.15(2) of the Listing Rules, with effect immediately following the Effective Date.

For the avoidance of doubt, the debt securities of the Company which are listed on the Stock Exchange (Debt Stock Codes: 04419, 05249 and 40329) will remain listed on the Stock Exchange following the Effective Date.

The Scheme Shareholders will be notified by way of an announcement of the exact dates of the last day for dealing in the Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the Shares on the Stock Exchange will become effective. A detailed timetable of the implementation of the Proposal and the Share Award Offer will be included in the Scheme Document, which will also contain, among other things, further details of the Scheme and the Share Award Offer.

IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES

Subject to the requirements of the Takeovers Code, the Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the Shares on the Stock Exchange will not be withdrawn and, as the Share Award Offer is conditional upon the Scheme becoming effective, the Share Award Offer will lapse.

If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under the Takeovers Code on making subsequent offers, to the effect that neither the Offeror nor any person who acted in concert with it in the course of the Proposal (nor any person who is subsequently acting in concert with any of them) may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for the Company, except with the consent of the Executive.

If either the Independent Board Committee or the Independent Financial Adviser does not recommend the Proposal, the Scheme or the Share Award Offer, and the Scheme is not approved, all costs and expenses incurred by the Company in connection with the Proposal, the Scheme and/or the Share Award Offer shall be borne by the Offeror in accordance with Rule 2.3 of the Takeovers Code.

If the Proposal, the Scheme and the Share Award Offer are recommended by the Independent Board Committee and the Independent Financial Adviser, the Company and the Offeror have agreed that: (a) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Offeror (including CICC and CLSA) will be borne by the Offeror; (b) all costs, fees, charges and expenses of any professional adviser engaged or to be engaged by the Company (including the Independent Financial Adviser and Yue Xiu Capital) will be borne by the Company; and (c) all other costs, fees, charges and expenses in relation to the Proposal, the Scheme and/or the Share Award Offer will be shared between the Company and the Offeror in equal shares.

OVERSEAS HOLDERS OF SCHEME SHARES AND OVERSEAS HOLDERS OF OUTSTANDING SHARE AWARDS

The availability of the Proposal and the Share Award Offer to persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or resided or of which they are citizens. Persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong should inform themselves about, and observe, any applicable legal, regulatory or tax requirements of the relevant jurisdictions in which they are located or resided or of which they are citizens and, where necessary, seek their own legal advice. Further details in relation to overseas holders of the Scheme Shares and overseas holders of the Outstanding Share Awards will be contained in the Scheme Document (and, in respect of the Share Award Offer, together with the letter to the holders of the Outstanding Share Awards which is expected to be despatched at or around the same time as the despatch of the Scheme Document).

It is the responsibility of the persons who are citizens, residents or nationals of a jurisdiction other than Hong Kong and who wish to take any action in relation to the Proposal, the Scheme and/or the Share Award Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with any such action (including the obtaining of any governmental, exchange control or other consent which may be required, the compliance with any other necessary formality and the payment of any issue, transfer or other tax in any relevant jurisdiction). Any acceptance by such persons will be deemed to constitute a representation and warranty from such persons to the Offeror, the Company and their respective advisers (including CICC, CLSA and Yue Xiu Capital) that such laws and regulations have been complied with. If you are in doubt as to your position, you should consult your professional advisers.

In the event that the despatch of the Scheme Document to the holders of the Scheme Shares and the holders of the Outstanding Share Awards who are citizens, residents or nationals of a jurisdiction other than Hong Kong is prohibited by any relevant law or regulation or may only be effected after compliance with conditions or requirements that the Directors regard as unduly onerous or burdensome (or otherwise not in the best interests of the Company or the Shareholders), the Scheme Document may not be despatched to such holders of the Scheme Shares and such holders of the Outstanding Share Awards. For that purpose, the Company will apply for such waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time. Any such waiver will only be granted if the Executive is satisfied that it would be unduly burdensome to despatch the Scheme Document to such holders of the Scheme Shares or holders of the Outstanding Share Awards. In granting any such waiver, the Executive will be concerned to see that all material information in the Scheme Document is made available to such holders of the Scheme Shares or holders of the Outstanding Share Awards. If any such waiver is granted by the Executive, the Offeror and the Company reserve the right to make arrangements in respect of the holders of the Scheme Shares or the holders of the Outstanding Share Awards who are citizens, residents or nationals of a jurisdiction other than Hong Kong in relation to the Proposal and/or the Share Award Offer. Such arrangements may include notifying any matter in connection with the Scheme, the Proposal or the Share Award Offer to the holders of the Scheme Shares or the holders of the Outstanding Share Awards having a registered overseas address by announcement or by advertisement in a newspaper which may or may not be circulated in the jurisdictions within which such holders of the Scheme Shares or holders of the Outstanding Share Awards are residents. The notice will be deemed to have been sufficiently given despite any failure by such holders of the Scheme Shares or holders of the Outstanding Share Awards to receive or see such notice.

TAXATION ADVICE

Scheme Shareholders and Outstanding Share Award Holders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of the Proposal, the Scheme or the Share Award Offer. It is emphasised that none of the Offeror, persons acting in concert with the Offeror, the Company, CICC, CLSA, Yue Xiu Capital, the Independent Financial Adviser, their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal, the Scheme or the Share Award Offer accepts any responsibility for any taxation effects on, or liabilities of, any person as a result of the Proposal, the Scheme or the Share Award Offer.

DESPATCH OF THE SCHEME DOCUMENT

A Scheme Document including, among other things: (a) further details of the Proposal, the Scheme and the Share Award Offer; (b) an explanatory statement of the Scheme; (c) the expected timetable relating to the Proposal, the Scheme and the Share Award Offer; (d) the letter from the Independent Board Committee containing its recommendations to the Independent Scheme Shareholders and the holders of the Outstanding Share Awards in respect of the Proposal, the Scheme and the Share Award Offer; (e) the letter of advice from the Independent Financial Adviser containing its advice to the Independent Board Committee in respect of the Proposal, the Scheme and the Share Award Offer; and (f) notices of the Court Meeting and the EGM (including proxy forms relating to such meetings for use by the relevant Shareholders) will be despatched to the Shareholders and the holders of the Outstanding Share Awards as soon as practicable and in compliance with the requirements of the Takeovers Code and applicable laws and regulations.

MATERIAL ARRANGEMENTS

As at the date of this announcement:

- (a) save for the Proposal, the Scheme and the Share Award Offer, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or the shares of the Offeror which might be material to the Proposal or the Share Award Offer;
- (b) there is no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a Condition to the Proposal or the Share Award Offer;
- (c) neither the Offeror nor any of the Offeror Concert Parties has received any irrevocable commitment to vote for or against the Proposal, or to accept or not accept the Share Award Offer;
- (d) based on reasonable enquiries which could be made by the Offeror prior to the issue of this announcement, there is no understanding, arrangement or agreement which constitutes a “special deal” (as defined in Rule 25 of the Takeovers Code) between any Shareholder, on the one hand, and: (i) the Offeror, any Offeror Concert Party; or (ii) the Company or any of the subsidiaries or associated companies of the Company, on the other; and
- (e) save for the Cancellation Price, there is no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or the Offeror Concert Parties to the holders of the Scheme Shares or their concert parties in relation to the Scheme Shares.

DEALINGS DISCLOSURES

In accordance with Rule 3.8 of the Takeovers Code, the respective associates (as defined in the Takeovers Code) of the Offeror and the Company (including any person who owns or controls 5% or more of any class of the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror or the Company) are hereby reminded to disclose their dealings in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company under Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below.

“Responsibilities of stockbrokers, banks and other intermediaries

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares and the debt securities of the Company which are listed on the Stock Exchange (Debt Stock Codes: 04419, 05249 and 40329) was halted with effect from 10:45 a.m. on 6 May 2021 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares and the debt securities of the Company which are listed on the Stock Exchange (Debt Stock Codes: 04419, 05249 and 40329) with effect from 9:00 a.m. on 20 May 2021.

DEFINITIONS

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

- “2020 Interim Dividend” means the interim cash dividend of HK\$0.11 per Share for the six months ended 30 June 2020 paid by the Company on 15 October 2020 to the Shareholders whose names appeared on the register of members of the Company on 8 October 2020;
- “2021 AGM” means the annual general meeting of the Company held on 14 May 2021;
- “acting in concert” has the meaning given to it in the Takeovers Code;
- “Applicable Laws” means any and all laws, rules, regulations, judgments, decisions, decrees, orders, injunctions, treaties, directives, guidelines, standards, notices and/or other legal, regulatory and/or administrative requirements of any Authority;
- “Approval” means any approval, authorisation, ruling, permission, waiver, consent, licence, permit, clearance, registration or filing which is required or desirable under any Applicable Law, or any licence, permit or contractual obligation of any member of the Group, for or in connection with the Proposal or the implementation of the Proposal (including the withdrawal of the listing of the Shares on the Stock Exchange) in accordance with its terms and conditions, in each case excluding, for the avoidance of doubt, any filing or notification to any Authority with competent jurisdiction which does not require such Authority’s approval, acknowledgement, permission, consent or clearance;

“Authority”	means any supranational, national, federal, state, regional, provincial, municipal, local or other government, governmental, quasi-governmental, legal, regulatory or administrative authority, department, branch, agency, commission, bureau or body (including any securities or stock exchange) or any court, tribunal, or judicial or arbitral body;
“Board”	means the board of Directors;
“Cancellation Price”	means the cancellation price of HK\$20.80 (less the Dividend Adjustment (if any)) per Scheme Share cancelled and extinguished, payable in cash by the Offeror to the Scheme Shareholders pursuant to the Scheme;
“CICC”	means China International Capital Corporation Hong Kong Securities Limited, a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, and one of the joint financial advisers to the Offeror in connection with the Proposal and the Share Award Offer;
“CICC Group”	means CICC and persons Controlling, Controlled by, or under the same Control as, CICC;
“CLSA”	means CLSA Capital Markets Limited, a licensed corporation under the SFO, licensed to carry on Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, and one of the joint financial advisers to the Offeror in connection with the Proposal and the Share Award Offer;
“CLSA Group”	means CLSA and persons Controlling, Controlled by, or under the same Control as, CLSA;
“Companies Ordinance”	means the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Company”	means Chong Hing Bank Limited, a limited liability company incorporated under the laws of Hong Kong and an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) whose Shares are listed on the Main Board of the Stock Exchange (stock code: 1111);

“Condition(s)”	means the condition(s) to the implementation of the Proposal as set out in the section headed “Conditions of the Proposal” in this announcement;
“Control”	has the meaning given to it in the Takeovers Code and “Controlling” and “Controlled” shall be construed accordingly;
“Court”	means the High Court of Hong Kong;
“Court Meeting”	means a meeting of the holders of the Scheme Shares to be convened at the direction of the Court at which the Scheme will be voted upon;
“Director(s)”	means the director(s) of the Company;
“Disinterested Share(s)”	has the meaning given to it in section 674(3) of the Companies Ordinance;
“Dividend Adjustment”	means in the event that: <ul style="list-style-type: none"> (a) after the date of this announcement, any dividend, distribution and/or return of capital (excluding the Final Dividend but including the Possible Interim Dividend) is announced, declared, made and/or paid in respect of the Shares; (b) the record date to be announced by the Board for determining the entitlements to such dividend, distribution and/or return of capital (as the case may be) falls on a day which is on or before the Effective Date; and (c) the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share is more than HK\$0.11 per Share (being the amount of the 2020 Interim Dividend), the amount (if any) by which the aggregate amount of all such dividends, distributions and/or returns of capital (as applicable) per Share exceeds HK\$0.11;
“Effective Date”	means the date on which the Scheme becomes effective in accordance with the Companies Ordinance;
“EGM”	means an extraordinary general meeting of the Company to be held after the Court Meeting for the purpose of, among other things, approving the reduction of the share capital of the Company and implementing the Scheme;

“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director;
“Final Dividend”	means the final cash dividend for the year ended 31 December 2020 of HK\$0.23 per Share approved by the Shareholders at the 2021 AGM, which will be paid on 8 June 2021 to the Shareholders whose names appear on the register of members of the Company as at the close of business on 31 May 2021;
“Group”	means the Company and its subsidiaries;
“Guangzhou Auto”	means 廣州汽車集團股份有限公司(Guangzhou Automobile Group Co., Ltd.*), a joint stock limited company established under the laws of the PRC, whose overseas-listed foreign shares are listed on the Main Board of the Stock Exchange (stock code: 2238) and whose domestic-listed domestic shares are listed on the Shanghai Stock Exchange (stock code: 601238), and a subsidiary of Guangzhou Auto Group;
“Guangzhou Auto Group”	means 廣州汽車工業集團有限公司(Guangzhou Automobile Industry Group Co., Ltd.*), a state-owned enterprise established under the laws of the PRC and wholly owned by the Guangzhou Government;
“Guangzhou Auto Investment”	means China Lounge Investments Limited, a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Guangzhou Auto;
“Guangzhou Government”	means the Guangzhou Municipal People’s Government of the PRC;
“Guangzhou Metro”	means 廣州地鐵集團有限公司(Guangzhou Metro Group Co., Ltd.*), a limited liability company established under the laws of the PRC and wholly owned by the Guangzhou Government;
“Guangzhou Metro Investment”	means Guangzhou Metro Investment Finance (HK) Limited, a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Guangzhou Metro;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Independent Board Committee”

means the independent committee of the Board, comprising: (a) Mr Chow Cheuk Yu Alfred (a non-executive Director); and (b) Mr Cheng Yuk Wo, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph (each an independent non-executive Director), established by the Board in accordance with Rule 2.1 of the Takeovers Code to make recommendations to the Independent Scheme Shareholders and the holders of the Outstanding Share Awards as to: (a) whether the terms of the Proposal, the Scheme and the Share Award Offer are, or are not, fair and reasonable; (b) whether to vote in favour of the Scheme at the Court Meeting; and (c) acceptance of the Share Award Offer by the Outstanding Share Award Holders;

“Independent Financial Adviser”

means Somerley Capital Limited, the independent financial adviser appointed by the Company, with the approval of the Independent Board Committee pursuant to Rule 2.1 of the Takeovers Code, to advise the Independent Board Committee as to: (a) whether the terms of the Proposal, the Scheme and the Share Award Offer are, or are not, fair and reasonable; (b) voting by the Independent Scheme Shareholders at the Court Meeting; and (c) acceptance of the Share Award Offer by the Outstanding Share Award Holders;

“Independent Scheme Shareholder(s)”

means the Shareholder(s) (other than the Offeror and the Offeror Concert Parties), including, for the avoidance of doubt:

- (a) Yue Xiu Securities Company Limited (an indirect subsidiary of the Offeror) in respect of the Shares held by Yue Xiu Securities Company Limited (an indirect subsidiary of the Offeror) for and on behalf of any non-discretionary investment client, where such client: (i) controls the voting rights attaching to such Shares; (ii) if such Shares are voted, gives instructions as to how such Shares are to be voted; and (iii) is not the Offeror or an Offeror Concert Party;
- (b) any member of the CICC Group in respect of the Shares held by such member of the CICC Group for and on behalf of any non-discretionary investment client, where such client: (i) controls the voting rights attaching to such Shares; (ii) if such Shares are voted, gives instructions as to how such Shares are to be voted; and (iii) is not the Offeror or an Offeror Concert Party; and
- (c) any member of the CLSA Group in respect of the Shares held by such member of the CLSA Group for and on behalf of any non-discretionary investment client, where such client: (i) controls the voting rights attaching to such Shares; (ii) if such Shares are voted, gives instructions as to how such Shares are to be voted; and (iii) is not the Offeror or an Offeror Concert Party;

“Independent Scheme Share(s)”	<p>means the Share(s) (other than the Share(s) which are beneficially owned by the Offeror or any Offeror Concert Party), including, for the avoidance of doubt:</p> <ul style="list-style-type: none"> (a) the Share(s) held by Yue Xiu Securities Company Limited (an indirect subsidiary of the Offeror) for and on behalf of any non-discretionary investment client, where such client: (i) controls the voting rights attaching to such Shares; (ii) if such Shares are voted, gives instructions as to how such Shares are to be voted; and (iii) is not the Offeror or an Offeror Concert Party; (b) the Share(s) held by any member of the CICC Group for and on behalf of any non-discretionary investment client, where such client: (i) controls the voting rights attaching to such Shares; (ii) if such Shares are voted, gives instructions as to how such Shares are to be voted; and (iii) is not the Offeror or an Offeror Concert Party; and (c) the Share(s) held by any member of the CLSA Group for and on behalf of any non-discretionary investment client, where such client: (i) controls the voting rights attaching to such Shares; (ii) if such Shares are voted, gives instructions as to how such Shares are to be voted; and (iii) is not the Offeror or an Offeror Concert Party;
“Last Trading Day”	<p>means 6 May 2021, being the last day on which the Shares were traded on the Stock Exchange before trading in the Shares and the debt securities of the Company which are listed on the Stock Exchange (Debt Stock Codes: 04419, 05249 and 40329) was halted with effect from 10:45 a.m. on 6 May 2021 pending the publication of this announcement;</p>
“Listing Rules”	<p>means the Rules Governing the Listing of Securities on the Stock Exchange;</p>
“Long Stop Date”	<p>means 28 February 2022 (or such later date as may be agreed between the Offeror and the Company or, to the extent applicable, as the Executive may consent and/or the Court may direct);</p>
“Macau”	<p>means the Macau Special Administrative Region of the People’s Republic of China;</p>
“Offeror”	<p>means Yue Xiu Enterprises (Holdings) Limited, a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Yuexiu Holdings;</p>

“Offeror Concert Parties”	means persons who are acting in concert, presumed or considered to be acting in concert, with the Offeror under the Takeovers Code for the purpose of the Proposal, including (but not limited to): <ul style="list-style-type: none"> (a) the Offeror SPV Entity and Yuexiu Holdings; (b) Guangzhou Metro, Guangzhou Metro Investment, Guangzhou Auto Group, Guangzhou Auto and Guangzhou Auto Investment; (c) Mr Zong Jianxin (the Deputy Chairman of the Board, an executive Director and the Chief Executive of the Company); (d) Mr Lau Wai Man (an executive Director and the Deputy Chief Executive of the Company); (e) members of the CICC Group (except members of the CICC Group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) (as CICC is a joint financial adviser to the Offeror in connection with the Proposal, members of the CICC Group (except members of the CICC Group which are exempt principal traders or exempt fund managers, in each case recognised by the Executive as such for the purpose of the Takeovers Code) are therefore presumed to be acting in concert with the Offeror by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code); and (f) members of the CLSA Group (as CLSA is a joint financial adviser to the Offeror in connection with the Proposal, members of the CLSA Group are therefore presumed to be acting in concert with the Offeror by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code);
“Offeror Group”	means the Offeror and its subsidiaries;
“Offeror SPV Entity”	means Yuexiu Financial Holdings Limited, a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Offeror;
“ordinary resolution”	has the meaning given to it in section 563 of the Companies Ordinance;
“Outstanding Share Award(s)”	means the unvested Share Award(s) which remain(s) outstanding;

“Outstanding Share Award Holder(s)”	means the holder(s) of the Outstanding Share Award(s) as at the Record Date;
“PRC” or “China” or “Mainland China”	means the People’s Republic of China and, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan;
“Possible Interim Dividend”	means any interim dividend for the six months ending 30 June 2021 which may or may not be declared by the Board;
“Proposal”	means the proposal for the privatisation of the Company by the Offeror by way of the Scheme and for the withdrawal of the listing of the Shares on the Stock Exchange, on the terms and subject to the conditions set out in this announcement;
“Record Date”	means the record date to be announced for determining the entitlements of the Scheme Shareholders under the Scheme;
“Scheme”	means the scheme of arrangement to be proposed under section 673 of the Companies Ordinance for the implementation of the Proposal;
“Scheme Document”	means the composite scheme document of the Offeror and the Company containing, among other things, further details of the Proposal and the Share Award Offer together with the additional information set out in the section headed “Despatch of the Scheme Document” in this announcement;
“Scheme Shareholder(s)”	means the registered holder(s) of the Scheme Share(s) as at the Record Date;
“Scheme Share(s)”	means the Share(s) in issue other than those which are held or beneficially owned by the Offeror or the Offeror SPV Entity;
“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	means the ordinary share(s) in the share capital of the Company;
“Share Award(s)”	means the share award(s) granted under the Share Award Scheme from time to time;
“Share Award Offer”	means the offer to be made by the Offeror, in accordance with Rule 13 of the Takeovers Code, to the Outstanding Share Award Holders for the cancellation of all Outstanding Share Awards held by them;

“Share Award Offer Price”	means the cancellation price of HK\$20.80 (less the Dividend Adjustment (if any)) per Outstanding Share Award cancelled, payable in cash by the Offeror to the Outstanding Share Award Holders pursuant to the Share Award Offer;
“Share Award Scheme”	means the share award scheme adopted by the Company on 27 February 2020;
“Share Option Scheme”	means the share option scheme adopted by the Company on 9 May 2012;
“Shareholder(s)”	means the registered holder(s) of the Share(s);
“special resolution”	has the meaning given to it in section 564 of the Companies Ordinance;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning given to it in the Listing Rules;
“Takeovers Code”	means the Hong Kong Code on Takeovers and Mergers;
“U.S.” or “United States”	means the United States of America;
“Yue Xiu Capital”	means Yue Xiu Capital Limited, a licensed corporation under the SFO, licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the financial adviser to the Company in connection with the Proposal;
“Yuexiu Holdings”	means 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited*), a limited liability company established under the laws of the PRC and beneficially wholly-owned by the Guangzhou Government; and
“%”	means per cent.

* *For identification purposes only*

By order of the board of directors of
Yue Xiu Enterprises (Holdings) Limited
Yu Tat Fung
Company Secretary

By order of the Board
CHONG HING BANK LIMITED
Lai Wing Nga
Company Secretary

Hong Kong, 18 May 2021

As at the date of this announcement, the directors of the Offeror are Mr Zhang Zhaoxing, Mr Ye Shanhu, Mr Wu Shanghui, Mr Chen Shu, Mr Tan Yue, Mr Huang Benjian, Mr Chen Ping, and Mr Liang Yuxing.

The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information relating to the Group) and confirm, having made all reasonable inquiries, that, to the best of their knowledge, opinions expressed in this announcement (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the directors of Yuexiu Holdings are Mr Zhang Zhaoxing, Mr Ye Shanhu, Mr Wu Shanghui, Mr Chen Shu, Mr Tan Yue, Mr Huang Benjian, Mr Chen Ping, Mr Liang Yuxing and Mr Zeng Yun.

The directors of Yuexiu Holdings jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information relating to the Group) and confirm, having made all reasonable inquiries, that, to the best of their knowledge, opinions expressed in this announcement (other than the opinions expressed by the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the Board comprises the following members:

- *Executive Directors*
Mr Zong Jianxin (Deputy Chairman and Chief Executive) and Mr Lau Wai Man (Deputy Chief Executive);
- *Non-executive Directors*
Mr Zhang Zhaoxing (Chairman), Mr Li Feng, Mr Chow Cheuk Yu Alfred and Ms Chen Jing; and
- *Independent Non-executive Directors*
Mr Cheng Yuk Wo, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than the information relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable inquiries, that, to the best of their knowledge, opinions expressed in this announcement (other than the opinions expressed by the directors of the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.