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

If you have sold or transferred all your shares in Chong Hing Bank Limited, you should at once hand this Scheme Document and the accompanying proxy forms to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This Scheme Document appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of Yue Xiu Enterprises (Holdings) Limited or Chong Hing Bank Limited. This Scheme Document is not for release, publication or distribution, in whole or in part, in, into or from any jurisdiction where to do so would constitute a violation of the applicable laws or regulations of such jurisdiction.



越秀企業(集團)有限公司
YUE XIU ENTERPRISES (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)



創興銀行有限公司
Chong Hing Bank Limited

(Incorporated in Hong Kong with limited liability)
(Stock Code: 1111)

(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 THE SHARES OF CHONG HING BANK LIMITED

Joint Financial Adviser to the Offeror



CICC
中金公司

**China International Capital Corporation
Hong Kong Securities Limited**

Joint Financial Adviser to the Offeror



CITIC
SECURITIES

CLSA Capital Markets Limited

(in alphabetical order)

Financial Adviser to the Company



越秀融資
YUE XIU CAPITAL

Yue Xiu Capital Limited

Independent Financial Adviser to the Independent Board Committee



SOMERLEY CAPITAL LIMITED

Unless the context requires otherwise, capitalised terms used in this Scheme Document (including this cover page) shall have the same meanings as those defined in Part I of this Scheme Document under the section headed "Definitions".

A letter from the Board is set out in Part IV of this Scheme Document. A 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 is set out in Part V of this Scheme Document. A letter from Somerley Capital Limited, being the Independent Financial Adviser, containing its advice to the Independent Board Committee in respect of the Proposal and the Share Award Offer is set out in Part VI of this Scheme Document. The Explanatory Statement is set out in Part VII of this Scheme Document.

The actions to be taken by the Shareholders, beneficial owners whose shares are held by a Registered Owner or deposited in CCASS and the Outstanding Share Award Holders are set out in Part II of this Scheme Document.

Notices convening the Court Meeting to be held at 10:00 a.m. on Monday, 30 August 2021, and the EGM to be held at 10:30 a.m. on Monday, 30 August 2021 (or if later, on the same day and at the same place immediately after the Court Meeting shall have been concluded or adjourned), are set out in Appendix V and Appendix VI to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, you are strongly urged to complete and sign the enclosed pink proxy form in respect of the Court Meeting and the enclosed white proxy form in respect of the EGM, in accordance with the instructions printed thereon, and return them to the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not later than the respective times and dates as stated in Part II of this Scheme Document. Completion and return of the proxy forms for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof, should you so wish. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your proxy forms, whether by physical attendance or online attendance through the Online Platform in the case of the Overseas Registered Shareholders, the returned proxy forms shall be deemed to have been revoked by operation of law.

This Scheme Document is being issued jointly by the Offeror and the Company. The English language text of this Scheme Document shall prevail over the Chinese language text for the purpose of interpretation.

30 July 2021

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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. Scheme Shareholder or Outstanding Share Award Holder 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 Scheme Shareholder or Outstanding Share Award Holder 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. Scheme Shareholder or Outstanding Share Award Holder 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. Scheme Shareholder or Outstanding Share Award Holder 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. Scheme Shareholder or Outstanding Share Award Holder 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 Scheme Document is accurate or complete. Any representation to the contrary is a criminal offence in the United States. This Scheme Document 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. Neither the Offeror nor the Company contemplates a public offering of securities referred to herein in the United States.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Notice to Singapore investors

This Scheme Document is for the exclusive use by Shareholders solely for the purposes of assessing the Proposal and the Scheme and should not be used other than in connection with such purpose. This Scheme Document has not been lodged with or registered by the Monetary Authority of Singapore, does not constitute an offer or invitation for the sale or purchase of securities in Singapore and shall not form the basis of any contract for the issue or sale of securities in Singapore. Accordingly, this Scheme Document and any other document or material in connection with the Proposal and the Scheme may not be circulated or distributed, otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act (Chapter 289 of Singapore).

Forward-Looking Statements: This Scheme Document 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 Scheme Document, and may not be indicative of results or developments in subsequent periods. The forward-looking statements and information contained in this Scheme Document 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.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

In view of the Prevention and Control of Disease (Prohibition on Group Gathering) Regulation (Chapter 599G of the Laws of Hong Kong) (the “**Regulation**”) and in consideration of the continuing risk posed by the coronavirus disease (COVID-19) and to manage the potential health risks of persons attending the Court Meeting and the EGM, the Company will implement the following precautionary measures at the Court Meeting and the EGM:

- (1) The Shareholders attending in person at the venue of the Court Meeting and/or the EGM in excess of half of the capacity of 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong (or such other prevailing limit from time to time) under Provision 11 of Schedule 1 to the Regulation will be accommodated in separate room(s) and/or partitioned area(s) at the venue of the Court Meeting and/or the EGM, with not more than the number of persons equivalent to half of the capacity of such room and/or partitioned area (or such other number of persons allowed under the Regulation) (including supporting staff for the Court Meeting and/or the EGM) in each such room and/or partitioned area. This arrangement is to take into consideration the current COVID-19 situation and the requirements under the Regulation to keep appropriate social distancing for the health and safety of the Shareholders;
- (2) Compulsory body temperature screening/checks will be conducted on every attendee at the main entrance of the Court Meeting and the EGM venue. Any person with a body temperature of over 37.2 degrees Celsius **WILL NOT** be admitted to the Court Meeting and the EGM venue;
- (3) Every attendee is required to wear a face mask at all times within the Court Meeting and the EGM venue;
- (4) Seating at the Court Meeting and the EGM venue will be arranged so as to allow for appropriate social distancing;
- (5) **NO** gifts, food and beverages will be provided at the Court Meeting and the EGM; and
- (6) Any other additional precautionary measures in accordance with the prevailing requirements or guidelines of The Government of Hong Kong (the “**Government**”) and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic.

Any attendee who (a) refuses to comply with the precautionary measures; (b) is subject to any prescribed quarantine by the Government or has close contact with any person under quarantine; or (c) has any flu-like symptoms or is otherwise unwell will be denied entry into or be required to leave the Court Meeting and the EGM venue at the absolute discretion of the Company as permitted by law.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

Holders of the Scheme Shares and the Shareholders (as the case may be) are requested (a) to consider carefully the risk of attending the Court Meeting and the EGM, which will be held in an enclosed environment, (b) to follow any prevailing requirements or guidelines of the Government relating to COVID-19 in deciding whether or not to attend the Court Meeting and the EGM; and (c) not to attend the Court Meeting and the EGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

Holders of the Scheme Shares and the Shareholders (as the case may be) are strongly encouraged by the Company to appoint the chairman of the relevant meeting as their proxy to vote on the resolutions, instead of attending the Court Meeting and the EGM in person.

Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the Government and/or regulatory authorities, the Company may announce further updates on the Court Meeting and the EGM arrangement on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.chbank.com) as and when appropriate.

If holders of the Scheme Shares and the Shareholders (as the case may be) have any questions relating to the Court Meeting and/or the EGM, please contact the Company's share registrar and transfer office, details of which are set out below:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong
Tel: +852 2862 8555
Fax: +852 2865 0990
Website: www.computershare.com/hk/contact

GUIDANCE NOTES FOR THE OVERSEAS REGISTERED SHAREHOLDERS FOR THE COURT MEETING AND THE EGM

HYBRID COURT MEETING AND HYBRID EGM

The Court Meeting and the EGM will be in the form of a hybrid meeting. In addition to the traditional physical attendance at the Court Meeting and the EGM, the Overseas Registered Shareholders holding the Scheme Shares (in the case of the Court Meeting) or holding the Shares (in the case of the EGM) as at the Meeting Record Date have the option of attending, participating and voting in the Court Meeting and/or the EGM (as the case may be) through online access by visiting the website at <https://meetings.computershare.com/M9UAYXS> and <https://meetings.computershare.com/MGJNZDC>, respectively (the “**Online Platform**”). Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date participating in the Court Meeting and Overseas Registered Shareholders holding the Shares as at the Meeting Record Date participating in the EGM using the Online Platform will also be counted towards the quorum and you will be able to cast your votes, and submit questions and comments relevant to the proposed resolutions through the Online Platform. **Overseas Registered Shareholders choosing physical attendance at the Court Meeting and/or the EGM should not access the Online Platform to exercise your voting rights and should use the physical voting papers provided thereat to cast your votes at the Court Meeting or the EGM (as the case may be).**

Please note that the choice of physical attendance or online attendance through the Online Platform would not affect the right of the Overseas Registered Shareholders to appoint the Chairman of the Court Meeting and the Chairman of the EGM, respectively, as your proxy to exercise your voting rights at the Court Meeting or the EGM (as the case may be). However, in the event that you choose to attend the physical Court Meeting or physical EGM (as the case may be) or use the Online Platform and vote at the relevant meeting after having lodged your proxy forms, the returned proxy forms shall be deemed to have been revoked by operation of law.

ATTENDING THE COURT MEETING AND THE EGM BY MEANS OF ELECTRONIC FACILITIES

Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date attending the Court Meeting and Overseas Registered Shareholders holding the Shares as at the Meeting Record Date attending the EGM using the Online Platform are expected to have a reliable and stable internet connection that can support video live streaming and be able to follow the Court Meeting and/or EGM (as the case may be) proceedings in order to cast the votes attached to the Scheme Shares and/or the Shares (as the case may be) and submit questions online. If for any reasons the internet connection is lost or interrupted, it may affect the ability of the Overseas Registered Shareholders to follow the Court Meeting proceedings and/or the EGM proceedings (as the case may be). Any missed contents as a result of connection issues relating to the Overseas Registered Shareholders will not be repeated. Each set of Overseas Registered Shareholder login details can be used on one electronic device (either smartphone, tablet device or computer) at a time only. If Overseas Registered Shareholders experience any technical difficulties or require assistance while using the Online

GUIDANCE NOTES FOR THE OVERSEAS REGISTERED SHAREHOLDERS FOR THE COURT MEETING AND THE EGM

Platform, please contact the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited (“**Computershare**”) at (852) 2862 8689 from 9:00 a.m. until the end of the EGM (Hong Kong time) on the date of the Court Meeting and the EGM. Please note that votes of the Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date on the proposed resolution at the Court Meeting and votes of the Overseas Registered Shareholders holding the Shares as at the Meeting Record Date on the proposed resolutions at the EGM cannot be recorded at, or taken by, Computershare's service hotline. In the event that the Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date (in the case of the Court Meeting) or the Overseas Registered Shareholders holding the Shares as at the Meeting Record Date (in the case of the EGM) have any concerns or issues attending the physical Court Meeting or physical EGM (as the case may be) or using the Online Platform, you are encouraged to appoint the Chairman of the Court Meeting and the Chairman of the EGM, respectively, as your proxy to exercise your voting rights at the Court Meeting or the EGM (as the case may be).

The Online Platform will be open to Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date (see below for login details and arrangements) for login approximately 30 minutes prior to the scheduled commencement of the Court Meeting and open to Overseas Registered Shareholders holding the Shares as at the Meeting Record Date (see below for login details and arrangements) for login approximately 30 minutes prior to the scheduled commencement of the EGM and can be accessed from any location with connection to the internet with a smartphone, tablet device or computer.

Our step-by-step “Online User Guide for the Court Meeting and the EGM to be held on Monday, 30 August 2021” can be found on “Shareholder Centre – General Meetings Information” under “Investor Relations” section on the Company's website (<http://www.chbank.com/en/homepage.shtml>).

LOGIN DETAILS FOR OVERSEAS REGISTERED SHAREHOLDERS

Details regarding the arrangements of the Court Meeting and the EGM, including login details for access to the Online Platform and online voting, are included in the Company's notification letter to be despatched on Friday, 30 July 2021 to the Overseas Registered Shareholders as at the Latest Practicable Date.

Any person who becomes an Overseas Registered Shareholder after the Latest Practicable Date and who would like to have the option of attending, participating and voting in the Court Meeting and/or the EGM (as the case may be) using the Online Platform will need to contact Computershare for the login details to access the Online Platform and online voting no later than 4:30 p.m. on Wednesday, 25 August 2021 (Hong Kong time) using the contact details set out below.

GUIDANCE NOTES FOR THE OVERSEAS REGISTERED SHAREHOLDERS FOR THE COURT MEETING AND THE EGM

Any person who ceases to be an Overseas Registered Shareholder after the Latest Practicable Date shall not use the login details for access to the Online Platform on the date of the Court Meeting and the EGM and in any case, such login details will be deactivated after such person ceases to be an Overseas Registered Shareholder.

QUESTIONS RELATING TO THE ARRANGEMENTS OF THE HYBRID COURT MEETING AND HYBRID EGM

For enquiries, please contact Computershare in person, by phone or online form, contact details of which are as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Website: www.computershare.com/hk/contact

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In this Scheme Document, unless the context otherwise requires, the following expressions have the following meanings:

DEFINITIONS

“2020 Interim Dividend”	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”	the annual general meeting of the Company held on 14 May 2021
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the joint announcement dated 18 May 2021 jointly issued by the Offeror and the Company pursuant to Rule 3.5 of the Takeovers Code in relation to, among others, the Proposal, the Scheme and the Share Award Offer
“Announcement Date”	18 May 2021, being the date of the Announcement
“Applicable Laws”	any and all laws, rules, regulations, judgements, decisions, decrees, orders, injunctions, treaties, directives, guidelines, standards, notices and/or other legal, regulatory and/or administrative requirements of any Authority
“Approval”	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
“associated company(ies)”	has the meaning ascribed to it under the Takeovers Code

“associates”	has the meaning ascribed to it under the Takeovers Code
“Authority”	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
“Beneficial Owner”	any beneficial owner of the Shares whose Shares are registered in the name of a Registered Owner
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which the Stock Exchange is open for the transaction of business
“Cancellation Price”	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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CICC”	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”	CICC and persons Controlling, Controlled by, or under the same Control as, CICC

“CLSA”	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”	CLSA and persons Controlling, Controlled by, or under the same Control as, CLSA
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Company”	Chong Hing Bank Limited, a limited liability company incorporated under the laws of Hong Kong and an authorised 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)
“Conditions”	the conditions to the implementation of the Proposal, as set out under the section headed “CONDITIONS OF THE PROPOSAL” in the Explanatory Statement in Part VII of this Scheme Document
“Control”	has the meaning ascribed to it under the Takeovers Code and “Controlling” and “Controlled” shall be construed accordingly
“Court”	the High Court of Hong Kong
“Court Meeting”	a meeting of the holders of the Scheme Shares to be convened at the direction of the Court at 10:00 a.m. on Monday, 30 August 2021 at 13th, 27th and/or 28th Floor(s) (with registration taking place on 27th Floor), Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong at which the Scheme will be voted upon, or any adjournment thereof, notice of which is set out on pages V-1 to V-5 of this Scheme Document
“Director(s)”	the director(s) of the Company
“Disinterested Share(s)”	has the meaning ascribed to it under section 674(3) of the Companies Ordinance

“Dividend Adjustment”	<p>means in the event that:</p> <ul style="list-style-type: none">(a) after the date of the 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), <p>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</p>
“Effective Date”	<p>the date on which the Scheme becomes effective in accordance with the Companies Ordinance</p>
“EGM”	<p>an extraordinary general meeting of the Company to be held at 10:30 a.m. on Monday, 30 August 2021 at 13th, 27th and/or 28th Floor(s) (with registration taking place on 27th Floor), Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong (or if later, on the same day and at the same place immediately after the Court Meeting shall have been concluded or adjourned) for the purpose of, among other things, approving the reduction of the share capital of the Company and implementing the Scheme, or any adjournment thereof, notice of which is set out on pages VI-1 to VI-5 of this Scheme Document</p>
“Executive”	<p>the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director</p>
“exempt fund manager”	<p>has the meaning ascribed to it under the Takeovers Code</p>

“exempt principal trader”	has the meaning ascribed to it under the Takeovers Code
“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 74 to 111 of this Scheme Document
“Final Dividend”	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 had been 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
“Form of Acceptance”	the form of acceptance in connection with the Share Award Offer, which is being sent separately to the holders of the Outstanding Share Awards together with the Share Award Offer Letter
“Group”	the Company and its subsidiaries
“Guangzhou Auto”	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”	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”	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”	the Guangzhou Municipal People’s Government of the PRC

“Guangzhou Metro”	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”	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\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	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 resolution to be proposed at the Court Meeting to approve the Scheme and the relevant resolutions to be proposed at the EGM to approve and give effect to the Scheme; and (c) acceptance of the Share Award Offer by the Outstanding Share Award Holders

- “Independent Financial Adviser” 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 and the Share Award Offer are, or are not, fair and reasonable; (b) voting by the Independent Scheme Shareholders at the Court Meeting and all Shareholders at the EGM; and (c) acceptance of the Share Award Offer by the Outstanding Share Award Holders
- “Independent Scheme Share(s)” 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:
- (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

“Independent Scheme Shareholder(s)”	the Shareholder(s) (other than the Offeror and the Offeror Concert Parties), including, for the avoidance of doubt: <ul style="list-style-type: none"><li data-bbox="676 306 1370 619">(a) Yue Xiu Securities Company Limited (an indirect subsidiary of the Offeror) in respect of the Shares held by it 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;<li data-bbox="676 668 1370 981">(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<li data-bbox="676 1029 1370 1342">(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
“Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“Last Trading Day”	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 the Announcement

“Latest Practicable Date”	27 July 2021, being the latest practicable date prior to the printing of this Scheme Document for the purpose of ascertaining certain information for inclusion in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	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)
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Meeting Record Date”	Monday, 30 August 2021, or such other date as shall have been announced by the Company, being the record date for the purpose of determining the entitlement of the holders of the Scheme Shares to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM
“Offeror”	Yue Xiu Enterprises (Holdings) Limited, a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Yuexiu Holdings
“Offeror Concert Parties”	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): (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 one of the joint financial advisers 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 one of the joint financial advisers 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”	the Offeror and its subsidiaries
“Offeror SPV Entity”	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 ascribed to it under section 563 of the Companies Ordinance
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited the Share(s) with, a CCASS participant
“Outstanding Share Award(s)”	the unvested Share Award(s) which are outstanding
“Outstanding Share Award Holder(s)”	the holder(s) of the Outstanding Share Award(s) as at the Scheme Record Date
“Overseas Registered Shareholder(s)”	Registered Owner(s) whose address(es) as shown in the register of members of the Company is(are) outside Hong Kong

“Possible Interim Dividend”	any interim dividend for the six months ended 30 June 2021 which may or may not be declared by the Board
“PRC” or “China” or “Mainland China”	the People’s Republic of China and, for the purpose of this Scheme Document, excluding Hong Kong, Macau and Taiwan
“Proposal”	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 Scheme Document
“Registered Owner”	any holder of the Shares (including without limitation a nominee, trustee, depositary or any other authorised custodian or third party) whose name is entered in the register of members of the Company
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Relevant Period”	the period commencing on 18 November 2020, being the date falling six months prior to the date of the Announcement and ending on the Latest Practicable Date
“Scheme”	the scheme of arrangement to be proposed under section 673 of the Companies Ordinance for the implementation of the Proposal
“Scheme Document”	this composite scheme document of the Offeror and the Company containing, among other things, further details of the Proposal and the Share Award Offer
“Scheme Record Date”	the record date for the purpose of determining the entitlement of the holders of the Scheme Shares to receive the Cancellation Price under the Scheme and the entitlement of the holders of the Outstanding Share Awards to participate in the Share Award Offer, which is expected to be Thursday, 23 September 2021 (or such other date as shall be confirmed and announced by the Offeror and the Company upon the Court hearing of the petition for the sanction of the Scheme)

“Scheme Share(s)”	the Share(s) in issue other than those which are held or beneficially owned by the Offeror or the Offeror SPV Entity
“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s) as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Share Award(s)”	the share award(s) granted under the Share Award Scheme from time to time
“Share Award Offer”	the offer 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 on the terms and conditions contained in this Scheme Document and the Share Award Offer Letter
“Share Award Offer Letter”	the letter dated 30 July 2021 setting out the terms and conditions of the Share Award Offer which is being sent separately to the holders of the Outstanding Share Awards, the form of which is set out in Appendix VII to this Scheme Document
“Share Award Offer Price”	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”	the share award scheme adopted by the Company on 27 February 2020
“Share Option Scheme”	the share option scheme adopted by the Company on 9 May 2012
“Shareholder(s)”	the registered holder(s) of the Share(s)

“special resolution”	has the meaning ascribed to it under section 564 of the Companies Ordinance
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“U.S.” or “United States”	the United States of America
“US\$”	United States dollar, the lawful currency of the U.S.
“Yue Xiu Capital”	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”	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
“%”	per cent

* *For identification purposes only*

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified.

All percentages stated in this Scheme Document are approximations and certain amounts and percentage figures included in this Scheme Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

ACTIONS TO BE TAKEN BY THE SHAREHOLDERS

For the purpose of determining the entitlement of the holders of the Scheme Shares to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 25 August 2021 to Monday, 30 August 2021 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), and during such period, no transfer of the Shares will be effected. In order to qualify to attend and vote at the Court Meeting and the EGM, the relevant forms of transfer of your Shares accompanied by the relevant share certificates shall be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 24 August 2021. A subsequent purchaser of Scheme Shares will need to obtain a proxy form from the transferor if he wishes to attend and vote at the Court Meeting and/or the EGM.

A **pink** proxy form for use at the Court Meeting and a **white** proxy form for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a holder of Scheme Share(s), you are strongly urged to complete and sign the enclosed **pink** proxy form in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** proxy form in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. **In order to be valid, the pink proxy form for use at the Court Meeting should be lodged no later than 48 hours (exclusive of any part of a day that is a public holiday, for the avoidance of doubt, Sunday is a public holiday) before the time appointed for holding the Court Meeting (i.e. on or before Friday, 27 August 2021 at 10:00 a.m. (Hong Kong time)) or any adjournment thereof, and the white proxy form for use at the EGM should be lodged no later than 48 hours (exclusive of any part of a day that is a public holiday, for the avoidance of doubt, Sunday is a public holiday) before the time appointed for holding the EGM (i.e. on or before Friday, 27 August 2021 at 10:30 a.m. (Hong Kong time)) or any adjournment thereof.** The completion and return of a proxy form for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your proxy form, whether by physical attendance or online attendance through the Online Platform in the case of the Overseas Registered Shareholders, the returned proxy form will be deemed to have been revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Offeror and the Company will make an announcement in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. If all the resolutions are passed at those meetings, further announcement(s) will be made by the Company on the results of the hearing of the petition for the sanction of the Scheme by the Court and, if the Scheme is sanctioned, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

ACTIONS TO BE TAKEN BY BENEFICIAL OWNERS WHOSE SHARES ARE HELD BY A REGISTERED OWNER OR DEPOSITED IN CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should: (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as his/her/its proxy; or (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant proxy forms shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant proxy forms as more particularly set out in this Scheme Document.

The completion and return of a proxy form for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his/her/its proxy forms, whether by physical attendance or online attendance through the Online Platform in the case of the Overseas Registered Shareholders, the returned proxy form will be deemed to have been revoked by operation of law.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the proxy forms in respect of the Court Meeting and/or the EGM in order to provide the Registered Owner with sufficient time to complete his/her/its proxy forms accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the proxy forms in respect of the Court Meeting and/or the EGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED SHARES TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE OFFEROR AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF APPROVED, THE PROPOSAL WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE EGM.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO AND SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

ACTIONS TO BE TAKEN BY THE OUTSTANDING SHARE AWARD HOLDERS

The Share Award Offer Letter is being sent to each holder of the Outstanding Share Award(s), together with this Scheme Document and a Form of Acceptance. If you are an Outstanding Share Award Holder and you wish to accept the Share Award Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Offeror at 26/F., Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong for the attention of the Offeror and marked “Chong Hing Bank Limited – Share Award Offer” by no later than 4:00 p.m. on Monday, 11 October 2021 (or such later date and time as may be notified to the holders of the Outstanding Share Awards by or on behalf of the Offeror). No acknowledgement of receipt of any Form of Acceptance or any other document will be given.

You are encouraged to read the instructions and other terms and conditions of the Share Award Offer in the Share Award Offer Letter and the Form of Acceptance.

The following timetable takes into account the procedures of the Court for the Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made jointly by the Offeror and the Company if there is any change to the following expected timetable.

Hong Kong time

Despatch of this Scheme Document and the Share Award Offer Letter	Friday, 30 July 2021
Latest time for lodging transfers of the Shares in order to become entitled to attend and vote at the Court Meeting and the EGM	4:30 p.m. on Tuesday, 24 August 2021
Register of members of the Company closed for determining entitlement to attend and vote at the Court Meeting and the EGM (<i>Note 1</i>)	Wednesday, 25 August 2021 to Monday, 30 August 2021 (both days inclusive)
Latest time for lodging the pink proxy form in respect of the Court Meeting (<i>Note 2</i>)	10:00 a.m. on Friday, 27 August 2021
Latest time for lodging the white proxy form in respect of the EGM (<i>Note 2</i>)	10:30 a.m. on Friday, 27 August 2021
Meeting Record Date	Monday, 30 August 2021
Court Meeting (<i>Notes 3 and 4</i>)	10:00 a.m. on Monday, 30 August 2021
EGM (<i>Notes 3 and 4</i>)	10:30 a.m. on Monday, 30 August 2021 (or, if later, immediately after the conclusion or adjournment of the Court Meeting)
Announcement of the results of the Court Meeting and the EGM posted on the website of the Stock Exchange	no later than 7:00 p.m. on Monday, 30 August 2021

Expected latest time for trading in
the Shares on the Stock Exchange 4:10 p.m. on
Thursday, 2 September 2021

Latest time for lodging transfers of
the Shares in order to qualify for
entitlements under the Scheme 4:30 p.m. on
Monday, 6 September 2021

Register of members of the Company
closed for determining entitlements to
qualify under the Scheme (*Note 5*) from Tuesday, 7 September 2021 onwards

Court hearing of the petition for
the sanction of the Scheme (*Note 6*) Thursday, 23 September 2021

Announcement of (1) the result of the Court hearing,
(2) the expected Effective Date and
(3) the expected date of withdrawal of listing of
the Shares on the Stock Exchange posted on
the website of the Stock Exchange no later than 7:00 p.m. on
Thursday, 23 September 2021

Scheme Record Date for determining
(1) the entitlement of the Scheme Shareholders
under the Scheme and (2) the entitlement of
the Outstanding Share Award Holders under
the Share Award Offer Thursday, 23 September 2021

Effective Date (*Note 6*) and the date when
the Share Award Offer becomes unconditional Monday, 27 September 2021

Announcement of (1) the Effective Date,
(2) the results of the Share Award Offer
(based on the acceptances and/or
rejections of the Share Award Offer received
as at the date of the announcement) (*Note 7*) and
(3) the withdrawal of listing of the Shares on
the Stock Exchange posted on
the website of the Stock Exchange Monday, 27 September 2021

Expected withdrawal of listing of the Shares on
the Stock Exchange becomes effective (*Note 8*) 4:00 p.m. on
Thursday, 30 September 2021

Latest time to despatch cheques for the cash
payment of the Cancellation Price to the
Scheme Shareholders (*Note 9*) on or before Thursday, 7 October 2021

Latest time to accept the Share Award Offer and
the closing date of the Share Award Offer (*Note 7*) 4:00 p.m. on
Monday, 11 October 2021

Announcement of the results of
the Share Award Offer published on
the website of the SFC (*Note 7*) no later than 7:00 p.m. on
Monday, 11 October 2021

Notes:

1. The register of members of the Company will be closed during such period for the purposes of determining the entitlement of the holders of Scheme Shares to attend and vote at the Court Meeting and of the Shareholders to attend and vote at the EGM. This book closure period is not for determining entitlements under the Scheme.
2. The **pink** proxy form in respect of the Court Meeting and the **white** proxy form in respect of the EGM should be completed and signed in accordance with the instructions respectively printed thereon and should be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, by the times and dates stated above. The **pink** proxy form for use at the Court Meeting and the **white** proxy form for use at the EGM must be lodged no later than the time and date stated above in order for them to be valid. The completion and return of a proxy form for the Court Meeting and/or the EGM will not preclude a Shareholder from attending and voting in person at the relevant meeting or any adjournment thereof if he/she/it so wishes. In the event that the Shareholder attends and votes at the relevant meeting or any adjournment thereof after having lodged his/her/its proxy form, whether by physical attendance or online attendance through the Online Platform in the case of the Overseas Registered Shareholders, the returned proxy form shall be deemed to have been revoked by operation of law.
3. The Court Meeting and the EGM will be held at 13th, 27th and/or 28th Floor(s) (with registration taking place on 27th Floor), Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong at the times and dates specified above. Please see the notice of the Court Meeting set out in Appendix V to this Scheme Document and the notice of the EGM set out in Appendix VI to this Scheme Document for details.
4. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above or post-super typhoon extreme conditions in force at or after 8:00 a.m. on Monday, 30 August 2021 and/or the Hong Kong Observatory has announced at or before 8:00 a.m. on Monday, 30 August 2021 that any of the above mentioned warnings is to be issued within the next two hours, the Court Meeting and the EGM shall automatically be postponed to the next Business Day on which no "black" rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted and no post-super typhoon extreme conditions are in force between the hours from 8:00 a.m. to 10:00 a.m. and in such case the Court Meeting and the EGM shall be held at 10:00 a.m. and 10:30 a.m., respectively, on that Business Day at 13th, 27th and/or 28th Floor(s) (with registration taking place on 27th Floor), Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong. For the avoidance of doubt, the Court Meeting and the EGM will be held as scheduled even when a tropical cyclone warning signal number 3 or below is hoisted or an amber or red rainstorm warning signal is in force. The Shareholders should make their own decision as to whether to attend the Court Meeting and the EGM under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.
5. The register of members of the Company will be closed during such period for the purpose of determining which holders of the Scheme Shares are qualified for the entitlements under the Scheme.

6. The Court hearing will be held at the Court at the High Court Building, 38 Queensway, Hong Kong. The Scheme will become effective upon all the Conditions having been fulfilled or waived (as applicable). The Scheme shall become effective when an office copy of the order of the Court sanctioning the Scheme (with or without modification) and confirming the reduction of the share capital of the Company involved in the Scheme together with a minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance shall have been delivered and registered by the Registrar of Companies.
7. The duly completed and executed Form of Acceptance must be lodged by the Outstanding Share Award Holders with the Offeror at 26/F., Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong for the attention of the Offeror and marked “Chong Hing Bank Limited – Share Award Offer” by no later than 4:00 p.m. on Monday, 11 October 2021 (or such later date and time as may be notified to the holders of the Outstanding Share Awards by or on behalf of the Offeror). If acceptances and/or rejections of the Share Award Offer have been received from all the Outstanding Share Award Holders as at the date of publication of the announcement of the results of the Share Award Offer on Monday, 27 September 2021, no further announcement of the results of the Share Award Offer will be published on the website of the Stock Exchange following the closing date of the Share Award Offer on Monday, 11 October 2021.
8. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on Thursday, 30 September 2021.
9. Cheques for entitlements of Scheme Shareholders will be despatched by ordinary post in postage pre-paid envelopes addressed to the Scheme Shareholders at their respective addresses as appearing in the register of members of the Company as at the Scheme Record Date or, in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding as soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date. Cheques shall be posted at the risk of the addressees and none of the Offeror, the Company, CICC, CLSA, Yue Xiu Capital, the Independent Financial Adviser and the Company’s share registrar and transfer office and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in transmission.

All references to times and dates are references to Hong Kong times and dates, except as otherwise specified.



(Incorporated in Hong Kong with limited liability)
(Stock Code: 1111)

Executive Directors

Mr Zong Jianxin (*Deputy Chairman and
Chief Executive*)
Mr Lau Wai Man (*Deputy Chief Executive*)

Registered office

Ground Floor, Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

Non-executive Directors

Mr Zhang Zhaoxing (*Chairman*)
Mr Li Feng
Mr Chow Cheuk Yu Alfred BBS, JP
Ms Chen Jing

Independent non-executive Directors

Mr Cheng Yuk Wo
Mr Lee Ka Lun
Mr Yu Lup Fat Joseph

30 July 2021

To the Shareholders and the holders of the Outstanding Share Awards

Dear Sir or Madam,

**(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 THE SHARES OF
CHONG HING BANK LIMITED**

1. INTRODUCTION

The Offeror and the Company jointly announced that on 18 May 2021 the Offeror requested the Board to 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. If implemented, the Proposal would result in the Company becoming wholly owned by the Offeror SPV Entity and the withdrawal of listing of the Shares on the Stock Exchange.

As at the Latest Practicable Date, the Offeror SPV Entity legally or beneficially owned, controlled, or had direction over, 729,394,500 Shares, representing approximately 74.97% of the entire issued share capital of the Company.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares in issue on the Scheme 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 Scheme 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 in accordance with Rule 6.15(2) of the Listing Rules.

Pursuant to Rule 13 of the Takeovers Code, the Offeror is also making the Share Award Offer to each Outstanding Share Award Holder to cancel all his/her Outstanding Share Award(s) held by him/her as at the Scheme Record Date. The Share Award Offer is conditional upon the Scheme becoming effective.

The purpose of this Scheme Document is to provide you with further information regarding the Proposal, the Scheme and the Share Award Offer, and to give you notice of the Court Meeting and of the EGM (together with proxy forms in relation thereto). Your attention is also drawn to (i) the letter from the Independent Board Committee set out in Part V of this Scheme Document; (ii) the letter from the Independent Financial Adviser set out in Part VI of this Scheme Document; (iii) the Explanatory Statement set out in Part VII of this Scheme Document; and (iv) the terms of the Scheme set out in Appendix IV to this Scheme Document.

The Proposal

Subject to the Conditions described in the section headed “CONDITIONS OF THE PROPOSAL” in the Explanatory Statement on pages 81 to 85 of this Scheme Document being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

The Scheme***Cancellation Price***

Under the Scheme, the Scheme Shares in issue on the Scheme 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 in cash for each Scheme Share cancelled and extinguished.

Cancellation Price HK\$20.80 (less the Dividend Adjustment (if any)) per Scheme Share

Dividend Adjustment

If: (a) after the date of the 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 the 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 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 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.

Shareholders and potential investors of the Company 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 of the Company 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.

Comparisons of value

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;
- (j) a premium of approximately 2.0% over the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$20.40 per Share; and
- (k) 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 of the Company should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Cancellation Price.

Assuming that the Scheme becomes effective on Monday, 27 September 2021, cheques for entitlements under the Scheme will be despatched to the Scheme Shareholders whose names appear on the register of members of the Company on the Scheme 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 and accordingly, the cheques are expected to be despatched on or before Thursday, 7 October 2021. All such cheques will be posted at the risk of the persons entitled thereto and none of the Offeror, the Offeror Concert Parties, the Company, CICC, CLSA, Yue Xiu Capital, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal and the Scheme will be responsible for any loss or delay in transmission.

Share Award Offer***Share Award Scheme and Outstanding Share Awards***

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 Latest Practicable Date, there were 1,507,960 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 1,507,960 new Shares).

Under the rules of the Share Award Scheme, the vesting of all such 1,507,960 Outstanding Share Awards will not be accelerated if the Proposal is approved and implemented. Given all such 1,507,960 Outstanding Share Awards were granted on either 16 March 2020 or 16 March 2021, none of such 1,507,960 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 1,507,960 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.

Share Award Offer, Payment of the Share Award Offer Price and Share Award Offer Letter

Pursuant to Rule 13 of the Takeovers Code, the Offeror is making the Share Award Offer to each Outstanding Share Award Holder to cancel all his/her Outstanding Share Award(s) held by him/her as at the Scheme 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. The Share Award Offer will become unconditional immediately upon the Scheme becoming effective, which will be prior to the withdrawal of the listing of the Shares on the Stock Exchange.

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 within seven (7) business days (as defined in the Takeovers Code) following the vesting date of the relevant Outstanding Share Award(s) which is determined in accordance with the existing vesting schedule of the Outstanding Share Award(s) held by such Outstanding Share Award Holder as at the Scheme Record Date.

Each Outstanding Share Award Holder at the Scheme Record Date who accepts the Share Award Offer and completes and returns a duly completed and executed Form of Acceptance by the prescribed deadline in accordance with the terms of the Share Award Offer Letter will be entitled to receive the Share Award Offer Price for each Outstanding Share Award. Any acceptance of the Share Award Offer and the receipt of the Share Award Offer Price may trigger taxes subject to withholding obligations of the Offeror. The Share Award Offer Price will be paid to the Outstanding Share Award Holder net of such applicable taxes, if any. All holders of Outstanding Share Award(s) are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Share Award Offer.

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) held as at the Scheme 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 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 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.

For the avoidance of doubt, holders of unvested Share Awards will not be eligible to attend and vote at the Court Meeting and the EGM in the capacity of holders of such unvested Share Awards.

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 held as at the Scheme 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 Share Award Offer Letter and the Form of Acceptance, setting out further information on the Share Award Offer, are set out in the form of the Share Award Offer Letter which are being despatched to the holders of the Outstanding Share Awards at and around the same time as the despatch of this Scheme Document.

Total Consideration and Financial Resources

As at the Latest Practicable Date, there were 243,467,720 Scheme Shares in issue and 1,507,960 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 1,507,960 new Shares).

Assuming that: (a) none of the 1,507,960 Outstanding Share Awards will become vested, or will be cancelled or lapsed, on or before the Scheme 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 Scheme 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 1,507,960 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\$5,095,494,144.

Assuming that: (a) all of the 1,507,960 Outstanding Share Awards will become vested in, and an aggregate of 1,507,960 new Shares will therefore be issued by the Company to, the holders of such Outstanding Share Awards on or before the Scheme 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 Scheme Record Date: (i) the Proposal will involve the cancellation and extinguishment of 244,975,680 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\$5,095,494,144.

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 subject to the fulfilment or waiver, as applicable, of the Conditions described in the section headed “CONDITIONS OF THE PROPOSAL” in the Explanatory Statement on pages 81 to 85 of this Scheme Document.

If the Scheme is not approved or the Proposal is withdrawn or otherwise lapses, 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 Scheme is not approved or the Proposal is withdrawn or otherwise 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.

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

Shareholders, holders of the Outstanding Share Awards and potential investors of the Company 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 of the Company 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.

Shareholding Structure of the Company

As at the Latest Practicable Date, the issued share capital of the Company comprised 972,862,220 Shares, and save for the 1,507,960 Outstanding Share Awards, the Company did not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue.

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.

A table setting out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme becoming effective (assuming (a) none of the 1,507,960 Outstanding Share Awards will become vested, or will be cancelled or lapsed, on or before the Scheme 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 Scheme Record Date; and (d) there is no change in the shareholding of the Company before the Scheme becoming effective) is to be found in the section headed “SHAREHOLDING STRUCTURE OF THE COMPANY, THE SCHEME SHARES AND VOTING AT THE COURT MEETING” in the Explanatory Statement on pages 86 to 91 of this Scheme Document. Save as disclosed in such shareholding structure table, none of the Directors held any Shares or Outstanding Share Awards as at the Latest Practicable Date.

As at the Latest Practicable Date:

- (a) the Offeror SPV Entity legally or beneficially owned, controlled, or had direction over, 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company) (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);
- (b) other than the 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company) held by the Offeror SPV Entity, the Offeror did not legally or beneficially own, control, or have direction over, any Shares;
- (c) the Offeror Concert Parties (other than the Offeror SPV Entity, members of the CICC Group and members of the CLSA Group) legally or beneficially owned, controlled, or had direction over, 87,137,421 Shares (representing approximately 8.96% of the entire issued share capital of the Company) (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);

- (d) 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, did not legally or beneficially own, control, or have direction over, any Shares;
- (e) members of the CLSA Group, being the Offeror Concert Parties, did not legally or beneficially own, control, or have direction over, any Shares;
- (f) the holders of the Scheme Shares beneficially owned, controlled, or had direction over, 243,467,720 Shares (representing approximately 25.03% of the entire issued share capital of the Company) (such Shares comprise: (i) the Shares in issue as at the Latest Practicable Date which were held or beneficially owned by the Offeror Concert Parties (other than the Offeror SPV Entity) as at the Latest Practicable Date; and (ii) the Shares in issue as at the Latest Practicable Date which were held or beneficially owned by the Independent Scheme Shareholders as at the Latest Practicable Date);
- (g) the Independent Scheme Shareholders beneficially owned, controlled, or had direction over, 156,330,299 Shares (representing approximately 16.07% of the entire issued share capital of the Company) (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); and
- (h) save for the 225,192 Outstanding Share Awards which were held by Mr Zong Jianxin and Mr Lau Wai Man (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 were no convertible securities, warrants, options or derivatives in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties.

Upon the Scheme becoming effective, the Offeror SPV Entity will hold 100% of the issued share capital of the Company.

Reasons for and Benefits of the Proposal

You are urged to read carefully the section headed “REASONS FOR AND BENEFITS OF THE PROPOSAL” in the Explanatory Statement on pages 93 and 94 of this Scheme Document.

Intention of the Offeror in Respect of the Group

You are urged to read carefully the section headed “INTENTION OF THE OFFEROR IN RESPECT OF THE GROUP” in the Explanatory Statement on page 95 of this Scheme Document.

The Board has noted the intentions of the Offeror in respect of the Group and the employees of the Group, as disclosed in the Explanatory Statement on page 95 of this Scheme Document.

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 resolution to be proposed at the Court Meeting to approve the Scheme and the relevant resolutions to be proposed at the EGM to approve and give effect to the Scheme; 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.

The full text of the letter from the Independent Board Committee is set out in Part V of this Scheme Document.

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 and the Share Award Offer are, or are not, fair and reasonable; (b) voting by the Independent Scheme Shareholders at the Court Meeting and the EGM; and (c) acceptance of the Share Award Offer by the Outstanding Share Award Holders.

The full text of the letter from the Independent Financial Adviser to the Independent Board Committee is set out in Part VI of this Scheme Document.

Information on the Offeror and the Group

Your attention is drawn to the financial information of the Group as set out in Appendix I to this Scheme Document, and the sections headed “INFORMATION ON THE OFFEROR AND YUEXIU HOLDINGS” and “INFORMATION ON THE GROUP” in the Explanatory Statement on pages 95 and 96 of this Scheme Document.

Overseas Holders of Scheme Shares and Overseas Holders of Outstanding Share Awards

If you are an overseas holder of Scheme Shares or an overseas holder of the Outstanding Share Awards, your attention is drawn to the section headed “OVERSEAS HOLDERS OF SCHEME SHARES AND OVERSEAS HOLDERS OF OUTSTANDING SHARE AWARDS” in the Explanatory Statement on pages 100 to 104 of this Scheme Document.

Withdrawal of Listing of the Shares on the Stock Exchange

Upon the Scheme becoming effective, all the Scheme Shares in issue on the Scheme 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 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.

Dealings in the Shares on the Stock Exchange are expected to cease after 4:10 p.m. on Thursday, 2 September 2021, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 4:00 p.m. on Thursday, 30 September 2021. 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.

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 is withdrawn or otherwise lapses, 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 Scheme is not approved or the Proposal is withdrawn or otherwise 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.

Court Meeting and EGM

The Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing (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 Scheme 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.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote at the EGM. 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 the relevant resolutions to be proposed at the EGM.

For the avoidance of doubt, holder(s) of unvested Share Awards will not be eligible to attend and/or vote at the Court Meeting and the EGM solely in the capacity as holder(s) of such unvested Share Awards.

For the purpose of exercising your right to vote at the Court Meeting and the EGM, you are requested to read carefully the sections headed “SHAREHOLDING STRUCTURE OF THE COMPANY, THE SCHEME SHARES AND VOTING AT THE COURT MEETING” and “COURT MEETING AND EGM” in the Explanatory Statement on pages 86 to 91 and pages 104 to 106 of this Scheme Document respectively, the actions to be taken as set out in Part II of this Scheme Document, and the notices of the Court Meeting and the EGM as set out in Appendix V and Appendix VI respectively to this Scheme Document.

Actions to be Taken

The actions which you are required to take in relation to the Proposal are set out in Part II of this Scheme Document and the section headed “ACTIONS TO BE TAKEN” in the Explanatory Statement on pages 106 to 109 of this Scheme Document.

Recommendation

The Independent Financial Adviser has advised the Independent Board Committee that it considers the terms of the Proposal and the Share Award Offer to be fair and reasonable so far as the Scheme Shareholders and the Outstanding Share Award Holders are respectively concerned, and advises the Independent Board Committee to recommend (i) the Independent Scheme Shareholders to vote in favour of the resolution to be proposed at the Court Meeting to approve the Scheme; (ii) all Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve and give effect to the Scheme; and (iii) the Outstanding Share Award Holders to accept the Share Award Offer.

The Independent Board Committee, having considered the terms of the Proposal, the Scheme and the Share Award Offer, and having taken into account the opinion of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal, the Scheme and the Share Award Offer are fair and reasonable so far as the Independent Scheme Shareholders and the holders of the Outstanding Share Awards are concerned and recommends the Independent Scheme Shareholders to vote in favour of the resolution to be proposed at the Court Meeting to approve the Scheme and the relevant resolutions to be proposed at the EGM to approve and give effect to the Scheme and the Outstanding Share Award Holders to accept the Share Award Offer.

Your attention is drawn to the recommendation of the Independent Financial Adviser to the Independent Board Committee, in respect of the Proposal and the Share Award Offer as set out in the “Letter from the Independent Financial Adviser” in Part VI of this Scheme Document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Proposal and the Share Award Offer as set out in the “Letter from the Independent Board Committee” in Part V of this Scheme Document.

Registration and Payment

Your attention is drawn to the section headed “REGISTRATION AND PAYMENT” in the Explanatory Statement set out on pages 96 to 99 of this Scheme Document.

Taxation, Effects and Liabilities

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, the Offeror Concert Parties, 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.

You are urged to read the section headed “TAXATION AND INDEPENDENT ADVICE” in the Explanatory Statement set out on page 104 of this Scheme Document.

Further Information

You are urged to read carefully the letters from the Independent Board Committee and from the Independent Financial Adviser, as set out in Part V and Part VI respectively of this Scheme Document, the Explanatory Statement as set out in Part VII of this Scheme Document, the appendices to this Scheme Document, including but not limited to the terms of the Scheme as set out in Appendix IV to this Scheme Document, the notice of the Court Meeting as set out in Appendix V to this Scheme Document and the notice of the EGM as set out in Appendix VI to this Scheme Document. In addition, a **pink** proxy form for the Court Meeting and a **white** proxy form for the EGM are enclosed with this Scheme Document. If you are a holder of the Outstanding Share Award(s), you are also urged to read carefully the Share Award Offer Letter and the Form of Acceptance.

By Order of the Board
Chong Hing Bank Limited
Lai Wing Nga
Company Secretary



(Incorporated in Hong Kong with limited liability)

(Stock Code: 1111)

30 July 2021

To the Independent Scheme Shareholders and the holders of the Outstanding Share Awards

Dear Sir or Madam,

**(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 THE SHARES OF
CHONG HING BANK LIMITED**

We refer to the scheme document dated 30 July 2021 jointly issued by the Offeror and the Company in relation to the Proposal, the Scheme and the Share Award Offer (the “**Scheme Document**”), of which this letter forms part. Terms defined in the Scheme Document shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to make a recommendation 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, details of which are set out in the “Letter from the Board” and the “Explanatory Statement” of this Scheme Document.

Somerley Capital Limited, the Independent Financial Adviser, has been appointed with the Independent Board Committee’s approval, to advise the Independent Board Committee in connection with the Proposal and the Share Award Offer. The details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the “Letter from the Independent Financial Adviser” of this Scheme Document.

In the “Letter from the Independent Financial Adviser” of this Scheme Document, the Independent Financial Adviser states that it considers the terms of the Proposal and the Share Award Offer to be fair and reasonable so far as the Scheme Shareholders and the Outstanding Share Award Holders are respectively concerned, and advises the Independent Board Committee to recommend (i) the Independent Scheme Shareholders to vote in favour of the resolution to be proposed at the Court Meeting to approve the Scheme; (ii) all Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve and give effect to the Scheme; and (iii) the Outstanding Share Award Holders to accept the Share Award Offer.

The Independent Board Committee, having considered the terms of the Proposal, the Scheme and the Share Award Offer, and having taken into account the opinion of the Independent Financial Adviser, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal, the Scheme and the Share Award Offer are fair and reasonable so far as the Independent Scheme Shareholders and the holders of the Outstanding Share Awards are concerned. Accordingly, the Independent Board Committee recommends the Independent Scheme Shareholders to vote in favour of the resolution to be proposed at the Court Meeting to approve the Scheme and the relevant resolutions to be proposed at the EGM to approve and give effect to the Scheme and the Outstanding Share Award Holders to accept the Share Award Offer.

The Independent Board Committee draws the attention of the Independent Scheme Shareholders and the holders of the Outstanding Share Awards to (i) the “Letter from the Board” set out in this Scheme Document; (ii) the “Letter from the Independent Financial Adviser”, which sets out the factors and reasons taken into account by the Independent Financial Adviser in arriving at its recommendation to the Independent Board Committee, set out in this Scheme Document; and (iii) the Explanatory Statement set out in this Scheme Document.

Yours faithfully,

The Independent Board Committee

Mr CHOW Cheuk Yu Alfred

Non-executive Director

Mr CHENG Yuk Wo
*Independent non-executive
Director*

Mr LEE Ka Lun
*Independent non-executive
Director*

Mr YU Lup Fat Joseph
*Independent non-executive
Director*

The following is the text of a letter of advice from Somerley Capital Limited to the Independent Board Committee, which has been prepared for the purpose of inclusion in the Scheme Document.

**SOMERLEY CAPITAL LIMITED**

20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 July 2021

*To: the Independent Board Committee of
Chong Hing Bank Limited*

Dear Sirs,

**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**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee in connection with the Proposal and the Share Award Offer. Details of the Proposal and the Share Award Offer are contained in the Scheme Document dated 30 July 2021, of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

On 18 May 2021, the Offeror and the Company jointly announced that the Offeror requested the Board to 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 involving the cancellation of the Scheme Shares and, in considerations therefor, the payment to the Scheme Shareholders of the Cancellation Price in cash for each Scheme Share. Pursuant to Rule 13 of the Takeovers Code, the Offeror is also making the Share Award Offer to each Outstanding Share Award Holder to cancel all his/her Outstanding Share Award(s) as at the Scheme Record Date in exchange for the payment by the Offeror to such Outstanding Share Award Holder of the Share Award Offer Price in cash for each Outstanding Share Award cancelled.

The Independent Board Committee, comprising a non-executive Director, Mr Chow Cheuk Yu Alfred, and all independent non-executive Directors, namely Mr Cheng Yuk Wo (“**Mr Cheng**”), Mr Lee Ka Lun and Mr Yu Lup Fat Joseph, has been established to make a recommendation to the Independent Scheme Shareholders and the Outstanding Share Award Holders 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 resolution to be proposed at the Court Meeting to approve the Scheme and the relevant resolutions to be proposed at the EGM to approve or give effect to the Scheme; and (iii) acceptance of the Share Award Offer by the Outstanding Share Award Holders. Mr Cheng is also an independent non-executive director of Somerley Capital Holdings Limited (stock code: 8439), the holding company of Somerley Capital Limited (“**Somerley**”). 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. The Independent Board Committee (with Mr Cheng abstaining) has approved our appointment as the Independent Financial Adviser to advise them in this regard.

During the past two years, Somerley is acting or has acted as the independent financial adviser (the “**IFA Engagements**”) to the independent board committee and independent shareholders/unitholder of Yuexiu Property Company Limited (stock code: 123, “**Yuexiu Property**”), Yuexiu Transport Infrastructure Limited (stock code: 1052, “**Yuexiu Transport**”) and Yuexiu Real Estate Investment Trust (stock code: 405, “**Yuexiu REIT**”) in relation to connected transactions and continuing connected transactions. The Offeror is the controlling shareholder/unitholder of each of Yuexiu Property, Yuexiu Transport and Yuexiu REIT. For details of those announced transactions for which we have been engaged as the independent financial adviser, please refer to Yuexiu Property’s announcements dated 2 August 2019, 21 August 2019, 23 September 2019, 31 October 2019, 9 December 2019, 22 November 2020, 23 November 2020, 23 December 2020 and 8 February 2021, Yuexiu Transport’s announcement dated 12 September 2019, and Yuexiu REIT’s announcement dated 20 November 2020. For the above IFA Engagements, Somerley has received fixed normal advisory fees from each of Yuexiu Property, Yuexiu Transport and Yuexiu REIT.

Save as disclosed above, Somerley is not associated with the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them and, accordingly, considered ourselves eligible to give independent advice on the Proposal and the Share Award Offer. Save as disclosed above, apart from normal professional fees payable to Somerley in connection with this appointment, no arrangement exists whereby Somerley will receive any fees or benefits from the Company, the Offeror or any party acting, or presumed to be acting, in concert with any of them.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors, which we have assumed to be true, accurate and complete in all material respects as at the Latest Practicable Date. We have also assumed that all representations contained or referred to in the Scheme Document were true,

accurate and complete at the time they were made and remain so as at the Latest Practicable Date. The Independent Scheme Shareholders and the Outstanding Share Award Holders will be informed of any material change as soon as possible up to the Effective Date. We have reviewed, among other things, the Announcement, the annual reports of the Company for the financial years ended 31 December 2014 to 2020. We have sought and received confirmation from the Directors that no material fact has been omitted from the information supplied and opinions expressed by them. We consider that the information we have received is sufficient for us to reach our opinion and advice as set out in this letter. We have no reason to doubt the truth and accuracy of the information provided to us or to believe that any material fact has been omitted or withheld. We have not, however, conducted any independent investigation into the businesses and affairs of the Group, nor have we carried out any independent verification on the information supplied.

TERMS OF THE PROPOSAL AND THE SHARE AWARD OFFER

Under the Scheme, if the Proposal is approved and implemented, the Scheme Shares will be cancelled 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.

Pursuant to Rule 13 of the Takeovers Code, the Offeror is making the Share Award Offer to each Outstanding Share Award Holder to cancel all his/her Outstanding Share Award(s) as at the Scheme 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 Final Dividend of HK\$0.23 per Share has been paid on 8 June 2021 to the Shareholders and will not be deducted from the Cancellation Price. The Dividend Adjustment refers to the reduction of the Cancellation Price by the amount of the aggregate dividend, distribution and/or return of capital (other than the Final Dividend but including any Possible Interim Dividend) which exceeds HK\$0.11 per Share (equivalent to the 2020 Interim Dividend), and is announced, declared made and/or paid with a record date falling on or before the Effective Date.

In the event the Possible Interim Dividend is announced, declared or made with a record date falling on or before the Effective Date and is, together with other distribution (if any), less than or equal to HK\$0.11 per Share, the Possible Interim Dividend will be paid to the Shareholders and the Cancellation Price will not be adjusted.

The Offeror will not increase the Cancellation Price or the Share Award Offer Price and does not reserve the right to do so.

CONDITIONS OF THE PROPOSAL AND THE SHARE AWARD OFFER

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 poll) against the Scheme at the Court Meeting not exceeding 10% of the total voting rights attached to all 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; and
- (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 Scheme 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.

Further details of the Conditions are set out in the section headed “Conditions of the Proposal” in the “Part VII – Explanatory Statement” in the Scheme Document. As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the 28 February 2022, failing which the Proposal, the Scheme and the Share Award Offer will lapse.

The Share Award Offer will become unconditional immediately upon the Scheme becoming effective, which will be prior to the withdrawal of the listing of the Shares on the Stock Exchange.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information of the Group

The Company is an authorised 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 Latest Practicable Date, the Company had 34 branches in Hong Kong, 11 branches and sub-branches in Mainland China and one branch in Macau.

2. Reasons for and benefits of the Proposal

As set out in section headed “Reasons for and Benefits of the Proposal in the “Part VII – Explanatory Statement” in the Scheme Document, the Proposal, if successful, would enable the Offeror and the Company to 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.

The Offeror is of the view that the terms of the Proposal are attractive to the Scheme Shareholders and the Proposal is beneficial to the Company and the Scheme Shareholders in the following ways:

- (a) *The Proposal would allow the Company to expand and enhance the Group’s businesses more efficiently without diluting the independent Shareholders’ interests.*

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.

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.

(b) 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 subscription 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.

Comments

The Offeror obtained control over the Company in February 2014 by way of a partial offer and has held just under 75% in the Company most of the time since then. The Company conducted two rights issues in 2015 and 2018 respectively and introduced Guangzhou Metro Investment as a strategic investor by subscription of new Shares in 2018 and raised about HK\$8.3 billion (gross) in total, out of which the Offeror and its concert parties contributed HK\$7.5 billion. The Company has also issued undated non-cumulative subordinated capital securities since September 2014, which amounted to HK\$5.4 billion as at 31 December 2020. The strengthened balance sheet has enabled the Group to expand its businesses and enhance its profitability. The Group's total assets increased from HK\$85.2 billion in 2013 to HK\$232.9 billion in 2020, representing a compound annual growth rate (“CAGR”) of 15.5%, and profit attributable to equity owners of the Company (“**Equity Owners**”) increased from HK\$557.4 million in 2013 to HK\$1,480.0 million in 2020, representing a CAGR of 15.0%.

The Offeror acquired the control over the Company in 2014 to tap into the growth potential of the banking sector in Mainland China. In 2020, non-Hong Kong operations accounted for 23% of the total operating income of the Group as compared to 9% in 2013. The Mainland China segment has been the major growth engine during the period. In order to further develop its new core operations in Mainland China with an aim to upgrading itself as a national bank, the Company expects very substantial equity capital will be required to fund the expansion and long-term growth. In September 2015, the Company completed a fully underwritten 1-for-2 rights issue (the “**2015 Rights Issue**”) at HK\$17.05 per Share. The participation of public Shareholders was 49.7% and Guangzhou Auto Investment was procured to take up some of the unsubscribed Shares. In September 2018, the Company completed another 1-for-2 rights issue at HK\$14.26 per Share on a non-underwritten basis (the “**2018 Rights Issue**”) and the issue was undersubscribed with the public Shareholders' participation (other than Guangzhou Auto Investment) of only 5.5%. Based on this experience, the usefulness of the listing platform of the Company to raise third party equity capital for its future business development and expansion appears to be limited. This is further discussed in section 3 below.

The Share price performance and its liquidity are discussed in section 5 below.

3. Financial information and prospects of the Group

(a) Financial performance

The following is a summary of the audited consolidated results of the Group for the three years ended 31 December 2020, as extracted from the annual reports of the Company for the financial years ended 31 December 2019 and 2020:

	For the year ended 31 December		
	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000
Interest income	5,565,742	6,492,027	5,102,578
Interest expense	(2,639,190)	(3,232,167)	(2,222,616)
Net interest income	2,926,552	3,259,860	2,879,962
Year-on-year growth	-10.2%	+13.2%	+24.3%
Fee and commission income	513,217	448,854	505,548
Fee and commission expenses	(78,890)	(123,197)	(121,054)
Net fee and commission income	434,327	325,657	384,494
Year-on-year growth	+33.4%	-15.3%	+17.4%
Net income from trading and investments	258,453	241,293	248,155
Other operating income	189,385	184,461	173,506
Operating expenses	(1,661,304)	(1,624,429)	(1,548,840)
	2,147,413	2,386,842	2,137,277
Net losses on disposal of property and equipment	(573)	(344)	(341)
Net (losses)/gains on fair value adjustments on investment properties	(10,300)	(4,431)	10,250
Net impairment losses on financial assets	(422,003)	(137,881)	(178,254)
Other non-operating income	–	–	116,655
Share of profits of associates	42,229	37,191	19,628
	(390,647)	(105,465)	(32,062)
Profit before taxation	1,756,766	2,281,377	2,105,215
Taxation	(276,788)	(380,735)	(344,828)
Profit attributable to Equity Owners^(Note)	1,479,978	1,900,642	1,760,387
Year-on-year growth	-22.1%	+8.0%	+12.5%
Earnings per Share (HK\$) ^(Note)	1.34	1.80	2.14
Dividend per Share (HK\$)	0.34	0.58	0.58

Note: Profit attributable to Equity Owners included, but the calculation of the earnings per Share excluded, the distribution of payment for additional equity instruments of HK\$152,845,000, HK\$153,015,000 and HK\$177,116,000 for the year ended 31 December 2018, 2019 and 2020, respectively.

(1) Net interest income

Set out below is the net interest income by segments of the Group for the three years ended 31 December 2020, as extracted from the annual reports of the Company for the financial years ended 31 December 2019 and 2020:

	For the year ended 31 December					
	2020		2019		2018	
	HK\$'000	Share	HK\$'000	Share	HK\$'000	Share
Corporate and personal banking	2,385,855	81.5%	2,567,253	78.8%	2,290,614	79.5%
Financial markets activities	410,818	14.0%	413,752	12.7%	408,268	14.2%
Securities business	7,643	0.3%	9,646	0.3%	9,035	0.3%
Others	122,236	4.2%	269,209	8.3%	172,045	6.0%
Total net interest income	2,926,552	100.0%	3,259,860	100.0%	2,879,962	100.0%

Note: Due to rounding, the percentages may not add up to the total of 100%.

Interest income of the Group includes primarily interest relating to loans and advances, investment in securities, and balances and placements with banks and other financial institutions. The Group's interest expense mainly relates to deposits and balances from banks and customers.

Corporate and personal banking segment has been the major contributor to the Group's net interest income accounting for about 80% of the total net interest income over the last three years. Net interest income increased by 13.2% from HK\$2,880.0 million in 2018 to HK\$3,260 million in 2019. Such increase was mainly attributable to a higher contribution from corporate and personal banking segment. For the year ended 31 December 2020, net interest income amounted to HK\$2,926.6 million, representing a decrease of 10.2% year-on-year. Such decline was mainly due to the decrease in contribution from corporate and personal banking segment and others segment as a result of the drop in interest income as well as net interest margin.

(2) *Net fee and commission income*

Set out below is the net fee and commission income by segments of the Group for the three years ended 31 December 2020, as extracted from the annual reports of the Company for the financial years ended 31 December 2019 and 2020:

	For the year ended 31 December					
	2020		2019		2018	
	HK\$'000	Share	HK\$'000	Share	HK\$'000	Share
Corporate and personal banking	266,354	61.3%	221,964	68.2%	246,635	64.1%
Financial markets activities	4,285	1.0%	752	0.2%	404	0.1%
Securities business	157,940	36.4%	101,179	31.1%	134,721	35.0%
Others	5,748	1.3%	1,762	0.5%	2,734	0.7%
Net fee and commission income	434,327	100.0%	325,657	100.0%	384,494	100.0%

Note: Due to rounding, the percentages may not add up to the total of 100%.

Fee and commission income, which comprises the amounts included in account servicing fees, investment management fees, sales commission, placement fees, syndication fees, is the next largest source of income of the Group following interest income.

Corporate and personal banking segment contributed over 60% of the total net fee and commission income over the last three years. Net fee and commission income decreased by 15.3% from HK\$384.5 million in 2018 to HK\$325.7 million in 2019. Such decrease was mainly due to (i) a setback of securities business which was affected by the Sino-US trade friction; (ii) Hong Kong's social events; and (iii) the decline in fee and commission income from credit card business. For the year ended 31 December 2020, net fee and commission income amounted to HK\$434.3 million, representing an increase of 33.4% year-on-year. Such increase was mainly due to the increase in contribution from securities dealings, loans, overdrafts and guarantees and agency services businesses which was partially offset by the further decline in fees and commission from credit card business.

(3) *Net income from trading and investments, other operating income and operating expenses*

Other operating income and operating expenses exhibited stable growth over the last three years. Net income from trading and investment decreased by 2.8% from HK\$248.2 million in 2018 to HK\$241.3 million in 2019 mainly due to a decline in foreign exchange gains. It then rose to HK\$258.5 million mainly due to net gains on disposal of fair value through other comprehensive income (FVOCI) debt securities.

(4) *Other items before profit before taxation*

Significant fluctuations are seen in (i) impairment losses on financial assets; and (ii) other non-operating income. In the past three years, majority of the impairment losses on financial assets were attributable to loans and advances to customers. The impairment losses on financial assets decreased by 22.6% from HK\$178.3 million in 2018 to HK\$137.9 million in 2019. Such decrease was mainly due to a 44.5% year-on-year decrease in impairment loss on loans and advances to customers. In 2020, it rose by 206.1% to HK\$422.0 million, which was mainly due to a 274.1% year-on-year increase in impairment loss on loans and advances to customers. The Group recorded other non-operating income of HK\$116.7 million in 2018 and nil in 2019 and 2020. The non-operating income was the forfeiture of deposit (net of expenses) paid by a purchaser under a share sale agreement relating to the disposal of the Group's stake in Hong Kong Life Insurance Limited in 2018. The transaction was subsequently terminated as certain conditions were not satisfied.

(5) *Profit attributable to Equity Owners*

Profit attributable to Equity Owners amounted to HK\$1,900.6 million in 2019, representing an increase of 8.0% compared to 2018. This was mainly due to an increase in net interest income, partially offset by the decrease in net fee and commission income.

For the year ended 31 December 2020, profit attributable to Equity Owners decreased by HK\$420.7 million compared to 2019. This was mainly due to the decrease in net interest income and the increase in impairment loss on loans and advances to customers. These items were partially offset by an increase in net fee and commission income.

Profit attributable to Equity Owners included the distribution of payment for additional equity instruments of HK\$152,845,000, HK\$153,015,000 and HK\$177,116,000 for the year ended 31 December 2018, 2019 and 2020, respectively.

(6) Dividend

The Company declared and paid cash dividend per Share of HK\$0.58, HK\$0.58 and HK\$0.34 for the three years ended 31 December 2018, 2019 and 2020, representing payout ratio (calculated based on the dividends declared for the year divided by the earnings per Share for the year) of 27.1%, 32.2% and 25.4%, respectively. The payout ratio in 2020, which is about the same as that in 2017, was in line with the Group's dividend payout in the past.

(b) Financial position

Set out below are the summarised consolidated balance sheets of the Group as at 31 December 2018, 2019 and 2020, as extracted from the annual reports of the Company for the financial years ended 31 December 2019 and 2020:

	As at 31 December		
	2020	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets			
Cash and short-term funds	21,800,643	20,404,505	26,182,402
Placements with banks maturing between one to twelve months	1,478,103	5,525,049	7,945,726
Derivative financial instruments	1,645,450	705,930	896,140
Investments in securities	52,853,752	57,534,593	46,986,126
Advances and other accounts	152,283,092	125,982,796	106,808,471
Tax recoverable	168,841	–	–
Interests in associates	399,553	377,244	347,320
Investment properties	299,513	306,610	311,942
Property and equipment	1,095,218	1,124,251	521,330
Prepaid lease payments for land	–	–	2,073
Deferred tax assets	32,109	28,767	19,907
Intangible assets	843,373	778,289	554,201
Total assets	<u>232,899,647</u>	<u>212,768,034</u>	<u>190,575,638</u>
Liabilities			
Deposits and balances of banks	8,229,574	6,949,921	5,615,953
Financial assets sold under repurchase agreements	786,540	4,253,852	6,571,696
Deposits from customers	183,228,291	162,664,648	143,690,294
Derivative financial instruments	3,775,482	1,902,951	873,617
Other accounts and accruals	3,241,808	3,172,687	2,118,485
Current tax liabilities	21,852	486,528	240,637
Certificates of deposit	2,551,530	3,749,075	2,688,386

	As at 31 December		
	2020	2019	2018
	HK\$'000	HK\$'000	HK\$'000
Debt securities issued	–	–	1,707,923
Loan capital	3,033,178	4,579,912	4,507,147
Deferred tax liabilities	96,932	145,247	19,171
Total liabilities	<u>204,965,187</u>	<u>187,904,821</u>	<u>168,033,309</u>
Equity attributable to Equity Owners			
Share capital	9,977,060	9,977,060	9,977,060
Additional equity instruments	5,427,996	3,111,315	2,312,030
Reserves	12,529,404	11,774,838	10,253,239
Total equity	<u>27,934,460</u>	<u>24,863,213</u>	<u>22,542,329</u>
Net asset value per Share^(Note)	HK\$23.14	HK\$22.37	HK\$20.80

Note: Net asset value per Share is calculated by dividing total equity attributable to Shareholders (excluding the additional equity instruments but before the Final Dividend) by the Shares in issue as at the end of the respective year.

(1) *Major assets*

The assets of the Group are mainly cash and short-term funds, investment in securities, and advances and other accounts. Cash and short-term funds consist of cash and balances with central bank and banks and money at call and short notice. Investment in securities includes listed and unlisted equity securities and debt securities. Advances and other accounts include primarily advances to customers, interest receivable, advances to banks, and other accounts.

In 2018, the Company raised an aggregate net proceeds of HK\$4.54 billion following completion of (i) a share subscription by issuing 70,126,000 Shares to Guangzhou Metro Investment; and (ii) the 2018 Rights Issue. The proceeds were used to strengthen the capital base of the Group with an aim to achieve a stronger capital adequacy ratio position to support the ongoing business development. As at 31 December 2018, the Group's advances and other accounts amounted to HK\$106,808.5 million.

As at 31 December 2019, the Group recorded advances and other accounts in the amount of HK\$125,982.8 million, representing an increase of 18.0% as compared to 2018. Advances and other accounts further increased to HK\$152,283.1 million as at 31 December 2020.

(2) Major liabilities

The liabilities of the Group are mainly deposits from customers, and deposits and balances of banks. Deposits from customers comprise demand deposits and current accounts, savings deposits, and time, call and notice deposits. As at 31 December 2019, total customer deposits increased by 13.2% to HK\$162,664.6 million as compared to 2018. In 2020, total customer deposits further increased by 12.6% to HK\$183,228.3 million as at 31 December 2020.

In addition, the Group's undated non-cumulative subordinated additional tier 1 capital securities have been classified as additional equity instruments of the Group. The Group's additional equity instruments increased from HK\$2,312.0 million in 2018 to HK\$3,111.3 million in 2019 and further increased to HK\$5,428.0 million in 2020. As at 31 December 2020, the additional equity instruments comprised (i) undated non-cumulative subordinated additional tier 1 capital securities with a face value of US\$400 million bearing a 5.700% coupon until the first call date on 15 July 2024; and (ii) undated non-cumulative subordinated additional tier 1 capital securities with a face value of US\$300 million bearing a 5.500% coupon until the first call date on 3 August 2025. Their coupon will be reset every five years, if the additional tier 1 capital securities are not redeemed, to a fixed rate equivalent to the then-prevailing five-year US treasury rate plus 3.858% and 5.237% per annum, respectively.

(3) Net asset value per Share

As at 31 December 2020, the audited consolidated net asset value (excluding the additional equity instruments) was HK\$23.14 per Share (before the payment of the Final Dividend of HK\$0.23 per Share for 2020), calculated by dividing the net asset value of the Group of HK\$27,934.5 million less additional equity instruments of HK\$5,428.0 million by 972,526,094 Shares in issue as at 31 December 2020. The latest published net asset value of the Group after having adjusted for the payment of the Final Dividend and divided by 972,862,220 Shares in issue as at the Latest Practicable Date is HK\$22.90 per Share (the "NAV per Share").

(4) Key financial ratios

The following table sets out the key financial ratios of the Group, which are commonly used to analyse banks' capital adequacy, funding management and equity owners' return, as extracted from the Company's relevant annual reports:

	As at 31 December		
	2020	2019	2018
Total capital ratio ^(Note 1)	16.79%	17.51%	19.01%
Loan-to-deposit ratio ^(Note 2)	73.65%	69.46%	67.95%
Return on equity ^(Note 3)	6.01%	8.31%	9.47%

Notes:

- (1) The ratio is calculated on a consolidated basis in accordance with the Banking (Capital) Rules.
- (2) As advised by the management of the Group, it is calculated based on the total loans and advances to customers (less trade bills) divided by deposits from customers and certificate of deposits.
- (3) As advised by the management of the Group, it is calculated based on the profit attributable to Equity Owners (less the distribution of payment for additional equity instruments) divided by weighted average equity attributable to Equity Owners (less additional equity instruments).

As at 31 December 2019, the Group's total capital ratio decreased to 17.51% from 19.01% in 2018 and further decreased to 16.79% as at 31 December 2020 mainly due to, as advised by the management of the Group, strong loan growth which led to the increases of "Risk Weighted Assets".

Loan-to-deposit ratio increased from 67.95% as at 31 December 2018 to 69.46% as at 31 December 2019 and increased further to 73.65% as at 31 December 2020. As advised by the management of the Group, the significant increase in 2020 was due to the active management to lower bond investment under the volatile bond market.

Return on equity decreased from 9.47% as at 31 December 2018 to 8.31% as at 31 December 2019 and decreased further to 6.01% as at 31 December 2020. As advised by the management of the Group, the decline in 2019 was mainly due to the increase in weighted average equity attributable to Equity Owners (less additional equity instruments) in 2019 after completion of equity fund raisings in August and September 2018 and the decline in 2020 was mainly due to the drop in profitability during the year.

Comments

Following the Offeror obtaining control over the Company in February 2014, profit attributable to Equity Owners increased from HK\$557.4 million in 2013 to HK\$1,480.0 million in 2020. Despite the Group streamlining its Hong Kong operation by reducing the number of branches from 51 as of end of 2013 to 34 as of end of 2020, the total operating income from Hong Kong increased by 123.2% to HK\$2,933.2 million in 2020 as compared to 2013. The Group has also strived to enhance the Mainland China business by increasing the number of branches from 1 in 2013 to 10 in 2020. The operating income from Mainland China, Macau and others increased from HK\$127.7 million in 2013 to HK\$875.5 million in 2020.

The expansion of the Group's loan book has been supported by the growth in deposits from customers as well as debt and equity financing. The Group's advances and other accounts increased from HK\$45,759.4 million in 2013 to HK\$152,283.1 million in 2020, representing a CAGR of 18.7% as compared to a 14.5% CAGR of its deposits from customers. During the same period, the Group raised a total of HK\$13.6 billion by issuing new Shares and undated non-cumulative subordinated capital securities, of which equity financing accounted for about 60%.

The Group has demonstrated satisfactory growth in its banking and securities businesses in Hong Kong and Mainland China since the Offeror has become its controlling Shareholder. However, it experienced a setback in 2020 when its profitability dropped by 22.1%. The Group's development of retail banking was impacted by the sluggish global economy and Hong Kong's entry into a technical recession in the third quarter. Its net interest income declined by 10.2% year-on-year in 2020. We have also reviewed the material change statement set out in Appendix I to the Scheme Document and noted that the Group continued to record decline in both interest income and interest expense for the five months ended 31 May 2021 as compared to the corresponding period in 2020 but fee and commission income and share of results of associates were improved. The net impairment loss on financial assets for the five months ended 31 May 2021 was principally affected by the combined effect of (a) the gradual recovery of macroeconomic conditions in 2021; and (b) provision of net impairment loss on several loans to corporate customers, during the same period. We have discussed with the management of the Group on the latest key financial items and concur with them that the Group might be able to ride on the wave of the gradual recovery of macroeconomic conditions in 2021. The Group's business expansion requires strong balance sheet. Apart from the 2018 Rights Issue which however saw a low participation rate of the public Shareholders, the Group further employed undated non-cumulative subordinated capital securities in 2019 and 2020 to raise capital. The net interest margin then dropped from 1.73% in 2018 to 1.34% in 2020. On the other hand, the Company intends to develop new core operations in Mainland China with a view to upgrading itself as a national bank. Substantial capital will be required to implement the Group's expansion plans and long-term growth. Given the low participation in the 2018 Rights Issue of the Shareholders (other than the Offeror and its concert parties) and no headroom for the public float, a further rights issue or open offer will not be an efficient option for the Company to raise fund, however, other methods of equity financing will inevitably lead to dilution of net asset value as well as earnings per Share for existing Shareholders, which will also affect the Share price performance. Thus, in our view, the Group will continue to face challenges in obtaining equity and/or debt financing with favourable terms not only to maintain its net interest margin and profitability but also implement its long term business development plan.

4. Industry Overview

As disclosed in the Company's 2020 annual report, the Group provides banking related services through 34 branches in Hong Kong, 10 branches and sub-branches in Mainland China and one branch in Macau. Hong Kong and Mainland China are the two major markets for the Group, which have respectively contributed 77% and 21% of the total operating income of the Group in 2020.

Hong Kong banking environment

Due to the COVID-19 pandemic, according to Census and Statistics Department of Hong Kong, Hong Kong's economy suffered a further contraction of 6.1% (having adjusted for inflation) in 2020 for the second consecutive year with consumption and tourism-related sectors particularly hard-hit by social distancing measures and border closure measures. The labour market deteriorated sharply and the seasonally adjusted unemployment rate surged from 3.4% to a 16-year high of 6.6% during 2020.

According to the Hong Kong Monetary Authority's 2020 annual report (the "**HKMA 2020 Annual Report**"), despite the significant headwinds, Hong Kong's monetary and banking system exhibited strong resilience to these challenges. As at the end of 2020, the capital adequacy ratio of local banks was 20.7%, well above the international minimum requirements of 8%. The average liquidity coverage ratio of large banks was also well above the statutory minimum requirement of 100%, reaching 155.1% in the fourth quarter of 2020. Reflecting the impact of the COVID-19 pandemic, the net interest margin narrowed to 1.18% in 2020 from 1.63% in 2019.

The COVID-19 pandemic has stimulated opportunities in the field of fintech. Fintech is rapidly changing not only the ways people make payments or transfer money but also the ways banks provide services. According to the HKMA 2020 Annual Report, the average daily turnover of the Faster Payment System (FPS) reached 505,000 real-time transactions in December 2020, three times of that in December 2019 and tenfold of that in October 2018, the first full month of FPS operation. About 90% of retail banks have either fully launched or are planning to launch remote customer on-boarding with more than 540,000 personal accounts opened remotely in 2020. Furthermore, eight virtual banks officially launched business in 2020 with a total of 420,000 accounts opened and customer deposits amounting to HK\$15 billion in aggregate.

PRC banking environment

Faced with continued geopolitical tension and outbreaks of COVID-19 pandemic, the PRC's economy still managed to achieve a positive growth of 3.0% (based on the statistics from the National Bureau of Statistics of the PRC) in 2020 due to the government's effective control of the pandemic.

Similar to Hong Kong, the banking system in the PRC remained resilient to these significant headwinds in 2020. According to the statistics published on the website of China Banking and Insurance Regulatory Commission, the capital adequacy ratio of commercial banks was 14.70% at the end of 2020, exceeding the international minimum requirement of 8%. The liquidity coverage ratio of large commercial banks was 146.47% in the fourth quarter of 2020, higher than the statutory minimum of 100%. The average quarterly net interest margin was 2.095% in 2020, representing a mild decrease of 0.09% as compared to 2019.

Fintech is also transforming the financial industry in the PRC. On 12 March 2021, the PRC released the “14th Five-Year Plan (2021-2025)” (the “**14th Five-Year Plan**”) which states that the PRC will promote the research and development of its own digital currency and support scientific and technological innovations in the financial sector in the next five years. Also, according to the 14th Five-Year Plan, the PRC will be committed to establish the Guangdong-Hong Kong-Macau Greater Bay Area and continue to expand the interconnections between the financial markets in the PRC, Hong Kong and Macau.

Comments

With the COVID-19 vaccine being rolled out, Hong Kong’s economy may recover gradually and the PRC’s economy may continue its positive growth momentum in the near future, which is, however, still subject to multiple factors and uncertainties surrounding global pandemic situation and vaccine efficacy. Although the banking systems in both Hong Kong and the PRC managed to deliver robust performance in 2020, it is noted that the net interest margins of the commercial banks in both Hong Kong and the PRC registered mild decreases in 2020.

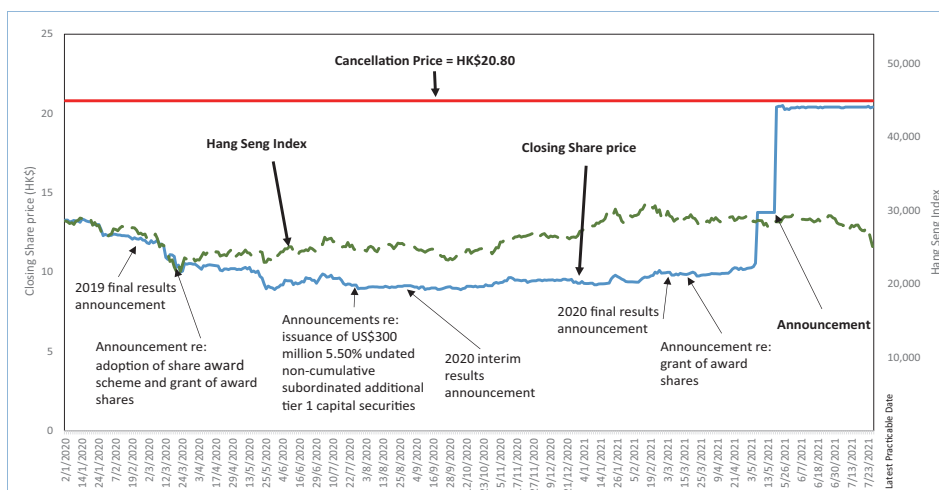
Fintech is sweeping the financial industry and changing the competitive landscape amid this new normal. To cope with this rapidly evolving technologies and intensified competition, the banks including the Group have to invest substantially in IT infrastructure and enhance their businesses to better serve customers’ needs and achieve sustainable development in a market full of uncertainties. As advised by the management of the Group, some efforts have been made in this direction. As disclosed in the Company’s 2020 annual report, the Group has proactively recruited IT talents, accelerated system digitalisation, upgraded electronic channels and developed a service model focusing on customer experience and integrating traditional and digital banking.

5. Analysis of the Shares

(a) Price performance compared to the Cancellation Price of HK\$20.80 per Share

Set out below is the movement of the closing Share prices during the period from 1 January 2020 up to and including the Latest Practicable Date (the “**Review Period**”):

FIGURE 1: SHARE PRICE PERFORMANCE



The Shares have traded between HK\$8.89 and HK\$13.34 during the period from 1 January 2020 to 5 May 2021, being the last full trading day before trading halt pending the issue of Announcement (the “**Undisturbed Period**”), well below the Cancellation Price. The highest closing Share price during the period was HK\$13.34 on 14 January 2020.

The closing Share price saw a downward trend starting from the beginning of 2020 generally in line with the movement of the Hang Seng Index. In July 2020, the Company issued a total of US\$300 million 5.50% undated non-cumulative subordinated additional tier 1 capital securities and in March 2021, it further granted award shares to the Directors and the director and employees of the Group. The closing Share price remained fairly stable during this period, but generally underperforming the Hang Seng Index.

On the Last Trading Day, the closing Share price rose by 30.3% from the previous close of HK\$10.56 to HK\$13.76. At the request of the Company, trading in the Shares was halted from 10:45 a.m. pending the publication of Announcement. We have discussed with the management of the Group for the surge on the Last Trading Day and they are unaware of the reasons for it.

On the first trading day following the Announcement, the closing Share price surged by 48.3% and closed at HK\$20.40. We consider the closing Share price has been largely influenced by the Cancellation Price of HK\$20.80 per Share. The Shares closed at HK\$20.40 as at the Latest Practicable Date. The Cancellation Price of HK\$20.80 per Share represents a premium of approximately 2.0% over the closing Share price on the Latest Practicable Date.

In summary, a comparison of the Cancellation Price of HK\$20.80 per Scheme Share with the recent closing prices of the Shares is set out as follows:

TABLE 1: SHARE PRICE COMPARISONS

	Closing price or average closing price of the Shares	Cancellation Price of HK\$20.80 per Scheme Share represents premium of approximately
Last Trading Day	HK\$13.76	51.2%
Last full trading day preceding the Announcement	HK\$10.56	97.0%
10 trading days ^(Note)	HK\$10.27	102.5%
30 trading days ^(Note)	HK\$10.03	107.3%
60 trading days ^(Note)	HK\$9.91	109.8%
180 trading days ^(Note)	HK\$9.48	119.4%
Latest Practicable Date	HK\$20.40	2.0%

Source: Bloomberg and the Stock Exchange website

Note: Closing Share prices for the full trading days immediately preceding the trading halt pending the issue of the Announcement have been used.

The Cancellation Price of HK\$20.80 per Share represents a premium of 97.0% over the closing Share price on the last full trading day preceding the Announcement and more than 100% premiums over the average closing price of the Shares for the 10, 30, 60 and 180 trading days (up to and including the last full trading day preceding the Announcement) before the release of the Announcement. We consider that the Share price following the release of the Announcement has been largely affected by the terms of the Proposal and the Scheme.

(b) Trading liquidity

Set out below are the monthly total trading volumes of the Shares and the percentages of the monthly total trading volume to the total issued Shares and public float of the Company since 1 January 2020:

TABLE 2: TRADING LIQUIDITY OF THE SHARES

	Monthly total trading volume of the Shares	Percentage of the monthly total trading volume of the Shares to the total issued Shares (Note 1)	Percentage of the monthly total trading volume of the Shares to public float of the Company (Note 2)
2020			
January ^(Note 3)	770,481	0.08%	0.32%
February ^(Note 3)	854,787	0.09%	0.35%
March ^(Note 3)	1,149,764	0.12%	0.47%
April ^(Note 3)	1,050,550	0.11%	0.43%
May ^(Note 3)	1,753,372	0.18%	0.72%
June ^(Note 3)	1,031,890	0.11%	0.42%
July ^(Note 3)	1,459,694	0.15%	0.60%
August ^(Note 3)	831,399	0.09%	0.34%
September ^(Note 3)	469,831	0.05%	0.19%
October ^(Note 3)	513,693	0.05%	0.21%
November ^(Note 3)	1,059,715	0.11%	0.44%
December ^(Note 3)	1,039,185	0.11%	0.43%
2021			
January ^(Note 3)	2,609,800	0.27%	1.07%
February ^(Note 3)	1,457,084	0.15%	0.60%
March ^(Note 3)	1,187,399	0.12%	0.49%
April ^(Note 3)	2,122,971	0.22%	0.87%
1-5 May ^(Note 3)	889,280	0.09%	0.37%
6-31 May	30,230,500	3.11%	12.42%
June	6,572,799	0.68%	2.70%
July (up to the Latest Practicable Date)	4,526,906	0.47%	1.86%

Source: Bloomberg

Notes:

- (1) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares in issue as at the end of each month or the Latest Practicable Date, as applicable.
- (2) The calculation is based on the monthly total trading volumes of the Shares divided by the total number of Shares held by the public as at the respective month end or the Latest Practicable Date.
- (3) They refer to the trading months/period during the Undisturbed Period.

Based on the above table, the liquidity of the Shares during the Undisturbed Period has been, in our view, extremely thin. During the period, the average daily volume is 61,181 Shares with no turnover recorded in 16 trading days out of a total of 331 trading days. Volume increased substantially within less than two trading hours on 6 May 2021 to 5,839,957 Shares. Heavy trading in the Shares is also seen on the first day following the issue of the Announcement with 17,755,848 Shares changing hands.

The significantly higher trading volume following publication of the Announcement is in our view principally related to investors' positive expectation regarding the Proposal, and may not continue if it lapses.

(c) Discount of the Share price to the NAV per Share

The Cancellation Price of HK\$20.80 per Scheme Share represents a discount of 9.2% to the NAV per Share of about HK\$22.90. We have reviewed the discounts of Share price to the NAV per Share (based on the interim and annual results announcements and the monthly returns) from time to time, which is set out in the following figure:

FIGURE 2: MOVEMENTS OF THE DISCOUNTS OF THE SHARE PRICE TO THE NAV PER SHARE



As set out in the figure above, the Shares have been trading at a discount to NAV per Share throughout the Undisturbed Period, ranging from 37.4% to 59.5% and at a narrower discount of 10.5% to 11.6% subsequent to the Announcement until the Latest Practicable Date.

The Cancellation Price represents a discount of 9.2% to the NAV per Share, which is significantly less than the historical discounts of the Shares throughout the entire period as shown in Figure 2 above.

Comments

The Cancellation Price of HK\$20.80 per Scheme Share represents premiums of about or over 100% over the average closing Share prices during the Undisturbed Period. During the Undisturbed Period, the Shares underperformed the Hang Seng Index and closed lower than HK\$10.00 in 223 days out of a total of 331 trading days with the average daily volume of 61,181 Shares. The liquidity of the Shares has been, in our opinion, extremely thin during the Undisturbed Period and therefore the Proposal provides an opportunity for the Scheme Shareholders to exit at a fixed cash.

The Company completed two rights issues in 2015 and 2018 respectively which were priced at HK\$17.05 per Share and HK\$14.26 per Share with reference to the then prevailing market prices, respectively. The Cancellation Price, which is 22.0% and 45.9% higher than the issue prices of the two rights issues, offers an opportunity for the Scheme Shareholders to exit with a reasonable return.

The recent over-performance of the Shares is, in our opinion, due to the release of the Announcement. Shareholders should therefore be aware that the current Share price may not be sustainable if the Proposal and the Scheme lapse and the Share price may return to the level before the release of the Announcement.

6. Peer comparison

According to the Company's 2020 annual report, Hong Kong operation contributed 77% of the total operating income of the Group in 2020. As discussed in section 5, the closing Share price and trading volume surged substantially on the Last Trading Day for which the management of the Group is unaware of the reasons and therefore, the market capitalisation of Company as at 5 May 2021 (being the day before the Last Trading Day), which was around HK\$10 billion, is considered to be undisturbed and relevant for selecting the Company's peers. As such, we have adopted two criteria in selecting companies comparable to the Company: (i) companies listed on the Stock Exchange with over 50% of their revenue derived from banking operations in Hong Kong based on their latest annual reports; and (ii) a market capitalisation between HK\$5 billion and HK\$20 billion on 5 May 2021. On this basis, we have identified one comparable company, Dah Sing Banking Group Limited (stock code: 2356, "**Dah Sing Banking**"), which is the only company comparable to the Company based on the above criteria. In assessing the fairness and reasonableness of the Cancellation Price, we have adopted the price-to-book ratio ("**P/B**") and price-to-earnings ratio ("**P/E**"), which are the two commonly

used valuation benchmarks in valuing a company's shares. In addition, dividend yield and dividend payout ratio are used as well for assessing the returns on the investment in shares of both Dah Sing Banking and the Company. Our analysis is set out below:

Company	Market capitalisation as at 5 May 2021 (HK\$' million) (Note 1)	P/B (times) (Note 2)	P/B (ex-final dividend) (times) (Note 3)	P/E (times) (Note 4)	Dividend yield (Note 5)	Dividend payout ratio (Note 6)
Dah Sing Banking	12,005.1	0.42	0.43	8.04	3.5%	28.24%
The Company	10,273.4	0.46	0.46	7.89	3.2%	25.39%
The Proposal	20,235.5 (Note 7)	0.90 (Note 7)	0.91 (Note 7)	15.53 (Note 7)	1.6% (Note 7)	25.39%

Notes:

1. Market capitalisation figures of Dah Sing Banking and the Company are calculated based on their respective closing price on 5 May 2021, being the last full trading day preceding the issue of the Announcement multiplied by the number of ordinary shares as set out in their respective monthly return for 30 April 2021.
2. The historical P/Bs of Dah Sing Banking and the Company are calculated based on their respective audited consolidated net assets attributable to shareholders set out in their 2020 annual reports and their respective market capitalisation on 5 May 2021.
3. The historical P/Bs (ex-final dividends) of Dah Sing Banking and the Company are calculated based on their respective audited consolidated net assets attributable to shareholders having excluded the final dividend paid to their shareholders set out in their 2020 annual reports and their respective market capitalisation on 5 May 2021.
4. The historical P/Es of Dah Sing Banking and the Company are calculated based on their respective latest audited consolidated net profits attributable to shareholders set out in their 2020 annual reports and their respective market capitalisation on 5 May 2021.
5. The dividend yield of Dah Sing Banking and the Company are calculated based on their respective closing share price of HK\$8.54 and HK\$10.56 on 5 May 2021 and the respective dividends declared of HK\$0.30 per share and HK\$0.34 per share for the year ended 31 December 2020.
6. The dividend payout ratios of Dah Sing Banking and the Company are calculated based on the dividends declared for the year ended 31 December 2020 divided by the earning per share for the year ended 31 December 2020.
7. Market capitalisation figures of the Company are calculated based on the Cancellation Price multiplied by the number of ordinary Shares as set out in its monthly return for 30 April 2021.
8. The above table has excluded Dah Sing Financial Holdings Limited (stock code: 440), whose businesses include those of Dah Sing Banking as well as insurance business. On this basis, comparison with Dah Sing Financial Holdings Limited is considered not appropriate after having considered the business segments of the Company as stated in its latest annual report.

As set out in the table above, based on the market capitalisation on 5 May 2021, the Company's P/B and P/B (ex-final dividend), both 0.46 times, were slightly higher than Dah Sing Banking's 0.42 times and 0.43 times. Dah Sing Banking's P/E of 8.04 times was slightly higher than the Company's 7.89 times. Their dividend yield and payout were similar.

However, the implied P/B, implied P/B (ex-Final Dividend) and implied P/E represented by the Cancellation Price are 0.90 times, 0.91 times, and 15.53 times respectively, which are all substantially higher than those of Dah Sing Banking, whereas the implied dividend yield represented by the Cancellation Price is 1.6%, lower than Dah Sing Banking's 3.5%.

Comments

Dah Sing Banking has been identified as the only company comparable to the Company in terms of businesses and market capitalisation. P/B and P/E are the most commonly used valuation benchmarks. The 2020 final dividend of Dah Sing Banking and the Final Dividend have been paid. The implied P/B and implied P/E represented by the Cancellation Price are more favourable than the prevailing valuation multiples of Dah Sing Banking.

Given the valuation multiples of both the Company and Dah Sing Banking were close as at 5 May 2021, Scheme Shareholders, if the Proposal is successful, could realise their investment in the Company and reinvest the consideration in another bank to enjoy an enhanced dividend yield.

7. Privatisation precedents in Hong Kong

We have compared the Proposal with all successful privatisation proposals (the "Privatisation Precedents") of companies listed on the Main Board of the Stock Exchange, which were announced during the 12-month period preceding the last full trading day before the issue of the Announcement, approved by disinterested shareholders or declared unconditional and with cash consideration only. These selection criteria have been adopted because (i) the Company is listed on the Main Board of the Stock Exchange; (ii) the 12-month period, in our view, provides a general overview of the pricing of the recent transactions of this type for the purpose of this analysis; and (iii) given the offerors' intentions are to take the companies private, the pricing basis of the Privatisation Precedents, in our view, should not be different due to the methods (i.e. scheme of arrangement, voluntary general offer or merger by absorption) adopted to implement the proposals. The Privatisation Precedents represent an exhaustive list of privatisation proposals meeting the said criteria.

The following table is the comparison of premiums or discounts over the then market prices at which the Privatisation Precedents were priced. Although the business nature and scale of each of the Privatisation Precedents vary and some aspects of pricing may be industry-specific, the premiums or discount represented by the Privatisation Precedents reflect the pricing of the recent transactions of this type in the Hong Kong market.

Company name (stock code)	Principal business	Date of initial announcement	Premium over last trading day ("LTD") share price	Premium over 10-day average share price prior to LTD	Premium over 30-day average share price prior to LTD	Premium over 60-day average share price prior to LTD	Premium over/discount to 180-day average share price prior to LTD
Sichuan Languang Juston Services Group Co., Ltd (2606)	Provision of property management services, consultancy services and community value-added services	22-Mar-21	39.4%	46.6%	46.8%	59.6%	26.5%
Xiezhong International Holdings Limited (3663)	Development, production and sales of automotive HVAC system and a range of automotive HVAC components, provision of technical testing and related services and operation of 4S dealership stores.	28-Feb-21	17.6%	20.8%	25.9%	38.7%	15.6%
Zhejiang Cangnan Instrument Group Company Ltd (1743)	Manufacture and sales of a wide range of industrial and commercial gas flowmeters	5-Feb-21	15.2%	13.1%	18.0%	25.2%	(35.9)%
Zhuhai Holdings Investment Group Ltd (908)	Ferry services, hotel, tourist attraction and property development and public utilities and financial investment	22-Jan-21	37.8%	37.5%	52.4%	56.1%	82.7%
Polytech Asset Holdings Ltd (208)	Property investment and development	21-Jan-21	61.3%	63.2%	72.5%	94.2%	99.1%
Zhejiang New Century Hotel Management Co Ltd (1158)	Operation and management of mid-scale to upscale hotel chains business	20-Jan-21	24.7%	22.3%	20.8%	19.7%	27.7%

Company name (stock code)	Principal business	Date of initial announcement	Premium over last trading day ("LTD") share price	Premium over 10-day average share price prior to LTD	Premium over 30-day average share price prior to LTD	Premium over 60-day average share price prior to LTD	Premium over/discount to 180-day average share price prior to LTD
HKC (Holdings) Limited (190)	Property investment and development	17-Jan-21	120.4%	123.0%	119.5%	109.3%	79.1%
Huifu Payment Ltd (1806)	Independent third-party payment service	22-Dec-20	26.8%	41.8%	47.0%	55.4%	45.7%
SHK Hong Kong Industries Ltd (666)	Investment holding	18-Dec-20	50.0%	52.5%	57.1%	66.2%	71.5%
Rivera (Holdings) Limited (281)	Property development and investment in Shanghai and securities trading and investment in Hong Kong	17-Dec-20	62.5%	63.7%	63.6%	71.1%	63.9%
I.T Limited (999)	Design, sourcing and scale of fashion wear and accessories	6-Dec-20	54.6%	96.6%	135.5%	162.4%	156.7%
CAR Inc (699)	Car rental service	13-Nov-20	18.0%	31.4%	52.2%	55.8%	45.7%
Tonly Electronic Holdings Ltd (1249)	Research and development, manufacture and sales of audiovisual products	30-Oct-20	19.0%	21.2%	28.0%	25.5%	59.4%
Shanghai Prime Machinery Company Limited (2345)	Design, manufacture and sale of turbine blades, bearings, fasteners and cutting tools	15-Oct-20	68.4%	108.6%	110.9%	112.6%	138.4%
CIMC-TianDa Holdings Company Ltd (445)	Manufacture and sale of airport facilities	4-Oct-20	20.4%	21.2%	18.5%	26.8%	40.3%

Company name (stock code)	Principal business	Date of initial announcement	Premium over last trading day ("LTD") share price	Premium over 10-day average share price prior to LTD	Premium over 30-day average share price prior to LTD	Premium over 60-day average share price prior to LTD	Premium over/discount to 180-day average share price prior to LTD
China Zhongdi Dairy Holdings Company Ltd (1492)	Raising and breeding dairy cows, producing and selling premium raw milk	27-Sep-20	11.0%	20.0%	22.8%	44.9%	124.7%
AMVIG Holdings Limited (2300)	Printing of cigarette packages and manufacturing of transfer papers and laser film	24-Sep-20	51.4%	53.5%	56.5%	57.7%	40.5%
Changshouhua Food Company Ltd (1006)	Corn oil business	7-Sep-20	16.4%	24.7%	43.2%	64.1%	59.1%
Leyou Technologies Holdings Ltd (1089)	Development and publishing of online multi-player PC/console video games	27-Aug-20	4.5%	5.7%	8.3%	17.1%	29.1%
Xinhua Port Holdings Ltd (1990)	Port operation	29-Jul-20	23.7%	27.4%	52.7%	89.1%	143.1%
O-Net Technologies (Group) Ltd (877)	Design, manufacturing and sale of optical networking products	8-Jul-20	23.6%	25.7%	24.7%	27.8%	42.1%
Vantage International (Holdings) Limited (15)	Contract works business and property investment and development business	2-Jul-20	80.0%	103.6%	119.5%	113.7%	80.8%
China Baofeng (International) Limited (3966)	Photovoltaic power generation business and the lighting products business	21-Jun-20	27.5%	61.9%	52.3%	42.5%	30.7%

Company name (stock code)	Principal business	Date of initial announcement	Premium over last trading day ("LTD") share price	Premium over 10-day average share price prior to LTD	Premium over 30-day average share price prior to LTD	Premium over 60-day average share price prior to LTD	Premium over/discount to 180-day average share price prior to LTD
Golden Meditech Holdings Ltd (801)	Manufacture and sale of medical devices and related medical device accessories	17-Jun-20	41.9%	53.6%	61.9%	59.5%	22.7%
Jinmao Hotel and Jinmao (China) Hotel Investments and Management Ltd (6139)	Investment in a portfolio of hotels and commercial properties	12-Jun-20	30.4%	72.8%	82.3%	88.2%	39.5%
Capxon International Electronic Company Ltd (469)	Manufacturing and sale of capacitors and aluminium foils	5-Jun-20	79.1%	94.2%	88.1%	90.5%	56.3%
Huadian Fuxin Energy Corporation (816)	Development, management and operation of hydropower, wind power and other clean energy projects and coal-fired power plants	1-Jun-20	65.6%	85.9%	87.5%	89.5%	75.6%

Maximum	120.4%	123.0%	135.5%	162.4%	156.7%
Minimum	4.5%	5.7%	8.3%	17.1%	(35.9)%
Average	40.4%	51.6%	58.1%	65.3%	61.5%
Median	30.4%	46.6%	52.4%	59.5%	56.3%

Cancellation Price^(Note)	97.0%	102.5%	107.3%	109.8%	119.4%
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Source: Bloomberg and the Stock Exchange website

Note: Comparison has been made with closing Share prices for the full trading days immediately preceding the trading halt pending the issue of the Announcement. The sudden surge in both the closing price and trading volume of the Shares on the Last Trading Day, for which the management of the Group is unaware of the reasons, are unrelated to the fundamentals of the Group or the industry outlook or the change of market sentiment. Therefore, we consider the comparison based on the closing Share prices for the full trading days immediately preceding the trading halt pending the issue of Announcement to be appropriate.

The premiums or discount of the Privatisation Precedents represented by the cancellation/offer prices over their respective LTD closing price prior to the commencement of the offer period, 10-, 30-, 60- and 180-trading day average share price up to and including the LTD ranged from 4.5% to 120.4%, 5.7% to 123.0%, 8.3% to 135.5%, 17.1% to 162.4% and (35.9)% to 156.7%, with averages of 40.4%, 51.6%, 58.1%, 65.3% and 61.5%, respectively and with medians of 30.4%, 46.6%, 52.4%, 59.5% and 56.3%, respectively.

The premiums represented by the Cancellation Price over the closing Share price on 5 May 2021 and 10-, 30-, 60- and 180-trading day average share price up to and including 5 May 2021, being the last full trading day preceding the issue of the Announcement, are 97.0%, 102.5%, 107.3%, 109.8% and 119.4%, respectively, within the range and substantially higher than both the averages and medians of the respective premiums or discount of the Privatisation Precedents.

Comments

The premiums represented by the Cancellation Price over the prevailing closing Share prices are all within the range and more favourable than 21 successful Privatisation Precedents out of a total of 27. In view of the fact that none of the above Privatisation Precedents involved companies in a business sector similar to that of the Company, we searched for privatisation proposals announced in the past ten years involving companies engaged in provision of banking services, and one privatisation proposal involved Wing Hang Bank Limited (stock code: 302, “**Wing Hang Bank**”) (the “**WHB Privatisation Proposal**”) is identified. WHB Privatisation Proposal was initially announced in September 2013. The premiums represented by the offer price over prevailing share prices of the WHB Privatisation Proposal ranged from 49.2% to 67.4%, which were significantly lower than those offered by the Cancellation Price. The offer price under the WHB Privatisation Proposal represents 1.77 times its net asset value per share which is significantly higher than that represented by the Cancellation Price. However, Shareholders should note that the offeror did not hold any shares in Wing Hang Bank before the commencement of offer period whereas the Offeror is already the controlling shareholder of the Company before the Proposal. In our view, the offer price of the WHB Privatisation Proposal contained a significant control premium in order for the offeror to acquire 100% interest in Wing Hang Bank, which is not applicable to the Proposal under which the Offeror proposed to acquire 25% interest in the Company. The WHB Privatisation Proposal, which is a takeover situation, makes a direct like-for-like comparison with the Proposal, in particular the discount to NAV per Share as represented by the Cancellation Price, not appropriate. In addition, considering that the WHB Privatisation Proposal was conducted about 8 years ago when the market conditions were different from now, we are of the view that the Privatisation Precedents, which have taken place in the last 12 months, are more relevant for comparison purpose.

8. Share Award Offer

As at the Latest Practicable Date, there were 1,507,960 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 Awards Scheme, entitle the holders of such Outstanding Share Awards to receive from the Company an aggregate of 1,507,960 new Shares).

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.

The Share Award Offer Price is HK\$20.80 (less the Dividend Adjustment (if any)) in cash, which is the same as the Cancellation Price, as no consideration shall be paid by the Outstanding Share Award Holders when the Outstanding Share Awards vests. 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 within seven (7) business days (as defined in the Takeovers Code) following the vesting date of the relevant Outstanding Share Award(s) which is determined in accordance with the existing vesting schedule of the Outstanding Share Award(s) held by such Outstanding Share Award Holder as at the Scheme 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 Scheme Record Date. Following the Effective Date, the Shares will no longer be listed on the Stock Exchange. 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 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).

In addition, the Board will 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.

For more details of the Share Award Offer and Share Awards Scheme, please refer to the Appendix VII – Form of Share Award Offer Letter of the Scheme Document.

Comments

On the basis that (i) Share Award Offer Price, is equivalent to the Cancellation Price, and will be payable on a staggered basis in accordance with the existing vesting schedule; (ii) the Shares will become unlisted upon the Scheme becoming effective and an open market will no longer exist for the trading of the Shares; and (iii) the Outstanding Share Award Holders will no longer enjoy the economic benefits attached to the Share Awards after the termination of the Share Award Scheme and the cancellation of the Share Awards which remain outstanding following the Effective Date if the Proposal is successful, we consider the terms of the Share Award Offer to be fair and reasonable so far as the Outstanding Share Award Holders are concerned.

DISCUSSION OF THE PRINCIPAL FACTORS AND REASONS

In forming our opinion and recommendation below, we have taken into account all the factors set out under the section headed “Principal factors and reasons considered” above, none of which can be considered in isolation. We would like to remind the Scheme Shareholders in particular of the points summarised below:

(i) Substantial equity raised but more is required to implement the Group’s long term development plans

The Offeror obtained control over the Company in February 2014 and has held just under 75% in the Company most of the time since then. The Company conducted two rights issues in 2015 and 2018 respectively and introduced Guangzhou Metro Investment as a strategic investor by subscription of new Shares in 2018 and raised about HK\$8.3 billion (gross) in total, out of which the Offeror and its concert parties contributed HK\$7.5 billion. The Company has also issued undated non-cumulative subordinated capital securities since September 2014, which amounted to HK\$5.4 billion as at 31 December 2020. The strengthened balance sheet has enabled the Group to expand its businesses and enhance its profitability. The Group’s total assets increased from HK\$85.2 billion in 2013 to HK\$232.9 billion in 2020, representing a CAGR of 15.5%, and profit attributable to Equity Owners increased from HK\$557.4 million in 2013 to HK\$1,480.0 million in 2020, representing a CAGR of 15.0%. Equity financing accounted for 60% of the total fund raised through issuance of new Shares and undated non-cumulative subordinated capital securities since 2014.

The Company plans to develop new core operations in Mainland China with an aim to upgrading itself as a national bank. Very substantial capital will be required to fund the Group’s expansion and long-term growth. The undersubscription of the 2018 Rights Issue with only 5.5% public Shareholders’ participation (other than Guangzhou Auto Investment), and the lack of public float headroom make it difficult for the Company to raise further equity capital in the market without diluting the existing Shareholders’ interest in the net asset and earnings per Share. The usefulness of the listing platform of the Company to raise equity capital for its future business development and expansion has become limited.

(ii) Cancellation Price is attractive as compared to the historical market price

The Cancellation Price of HK\$20.80 per Scheme Share represents premiums of about or over 100% over the average closing Share prices during the Undisturbed Period. During the period, the Shares underperformed the Hang Seng Index and closed lower than HK\$10.00 in 223 days out of a total of 331 trading days. The Shares have been trading at a discount to NAV per Share throughout the Undisturbed Period, ranging from 37.4% to 59.5%. The Cancellation Price implies a significantly lower discount to NAV per Share of 9.2%.

The Company completed two rights issues in 2015 and 2018 respectively which were priced at HK\$17.05 per Share and HK\$14.26 per Share with reference to the then prevailing market prices, respectively. The Cancellation Price, which is 22.0% and 45.9% higher than the issue prices of the two rights issues, offers an opportunity for the Scheme Shareholders to exit with a reasonable return.

The Final Dividend has been paid on 8 June 2021 to the Shareholders and will not be deducted from the Cancellation Price. Shareholders will be entitled to the Possible Interim Dividend without adjusting the Cancellation Price if it is announced, declared or made with the record date falling on or before the Effective Date and is, together with other distributions (if any), less than or equal to HK\$0.11 per Share.

(iii) Low liquidity of the Shares

The liquidity of the Shares has been, in our view, extremely thin during the Undisturbed Period. During the period, the average daily volume is 61,181 Shares with no turnover recorded in 16 trading days out of a total of 331 trading days. The volume increased substantially on the Last Trading Day to 5,839,957 Shares and further to 17,755,848 Shares on the first day following the issue of Announcement. However, in our view, this is due to the Proposal being just forwarded and is unlikely the significantly higher trading volume of the Shares will continue if the Proposal lapses. The low liquidity means that a guaranteed exit at a fixed and attractive cash price should be a valuable opportunity for the Scheme Shareholders.

(iv) Financial performance of the Group

The Group has demonstrated satisfactory growth in its banking and securities businesses in Hong Kong and Mainland China since the Offeror has become its controlling Shareholder. However, it experienced a setback in 2020 with its profitability dropping by 22.1%. The Group's development of retail banking was impacted by the sluggish global economy and Hong Kong's entry into a technical recession in the third quarter. The Group's net interest income declined by 10.2% year-on-year in 2020.

The Group's business expansion requires strong balance sheet. Apart from the 2018 Rights Issue which however saw a low participation rate of the public Shareholders, the Group further employed undated non-cumulative subordinated capital securities in 2019 and 2020 to raise capital. The net interest margin then dropped from 1.73% in 2018 to 1.34% in 2020.

Despite the Group might be able to ride on the wave of the gradual recovery of macroeconomic conditions in 2021 based on our discussion with the management of the Group, we consider the Group will continue to face challenges in increasing its net interest margin and profitability.

(v) Peer and privatisation precedents comparison

Dah Sing Banking is the only company which we consider comparable to the Company in terms of businesses and market capitalisation. The P/E and P/B multiples and dividend yield of both the Company and Dah Sing Banking were close to each other based on their closing prices as at 5 May 2021, being the last full trading day preceding the issue of the Announcement. Their dividend payout ratios were also similar. The Proposal, under which the Cancellation Price represents about a 100% premium over the prevailing market prices, offers an opportunity for the Scheme Shareholders to realise their investment in the Company and reinvest the consideration in another bank if they so wish.

The premiums represented by the Cancellation Price over the prevailing closing Share prices are within the range and more favourable than 21 successful Privatisation Precedents out of a total of 27.

(vi) An attractive proposal from another source is unlikely

An alternative general offer or other proposal to acquire the Shares is unlikely as the Offeror holds 75% of the issued share capital of the Company which has been a long-term investment held by the Offeror. The Offeror has stated that it will not increase the Cancellation Price or the Share Award Offer Price.

OPINION AND RECOMMENDATION

In respect of the Proposal

Based on the above analysis, we consider the terms of the Proposal to be fair and reasonable so far as the Scheme Shareholders are concerned and advise the Independent Board Committee to recommend (i) the Independent Scheme Shareholders to vote in favour of the resolution to be proposed at the Court Meeting to approve the Scheme and (ii) all Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve and give effect to the Scheme.

In respect of the Share Award Offer

The Share Award Offer is conditional on the Scheme becoming effective. The payment due under the Share Award Offer is HK\$20.80, the same as the Cancellation Price, as no payment is due from the Outstanding Share Award Holders under the Share Award Scheme. Payment will be made on a staggered basis in accordance with the existing vesting schedule. On this basis, we consider the terms of the Share Award Offer to be fair and reasonable so far as the Outstanding Share Award Holders are concerned, and we advise the Independent Board

Committee to recommend the Outstanding Share Award Holders to accept the Share Award Offer. Such holders should note that the Board has stated that it intends to cancel any Outstanding Share Awards after the Effective Date and, if the Proposal is successful, the Outstanding Share Award Holders will no longer enjoy the economic benefits attached to the Share Awards.

The Proposal is subject to a number of Conditions as set out above. The closing Share price at the Latest Practicable Date was HK\$20.40 per Share, below the Cancellation Price of HK\$20.80 per Scheme Share. Although we consider this unlikely, there is a possibility that the Share price may exceed the Cancellation Price in the period up to 2 September 2021, being the expected last day for trading in the Shares on the Stock Exchange. Scheme Shareholders who wish to take advantage of the present circumstances to realise their investment in the Company are reminded to monitor the trading price and liquidity of the Shares during this period and, having regard to their own circumstances, consider selling their Shares in the open market, for example if the net proceeds obtained from such disposal of the Shares (after deducting all transaction costs) would be higher than HK\$20.80 per Share.

Overseas Registered Shareholders, who can choose to attend the Court Meeting and the EGM either in person or by using the Online Platform, should read details of the hybrid Court Meeting and the hybrid EGM set out in “Guidance Notes for the Overseas Registered Shareholders for the Court Meeting and the EGM” in the Scheme Document if they wish to join the meetings online.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
M. N. Sabine **Jenny Leung**
Chairman *Director*

Mr Sabine is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over thirty years of experience in the corporate finance industry. Ms Leung is a licensed person and responsible officer of Somerley Capital Limited registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activities under the SFO. She has over twenty years of experience in the corporate finance industry.

This Explanatory Statement constitutes the statement required under section 671 of the Companies Ordinance.

INTRODUCTION

The Offeror and the Company jointly announced that on 18 May 2021 the Offeror requested the Board to 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. If implemented, the Proposal would result in the Company becoming wholly owned by the Offeror SPV Entity and the withdrawal of listing of the Shares on the Stock Exchange.

As at the Latest Practicable Date, the Offeror SPV Entity legally or beneficially owned, controlled, or had direction over, 729,394,500 Shares, representing approximately 74.97% of the entire issued share capital of the Company.

Pursuant to Rule 13 of the Takeovers Code, the Offeror is also making the Share Award Offer to each Outstanding Share Award Holder to cancel all his/her Outstanding Share Award(s) held by him/her as at the Scheme Record Date. The Share Award Offer is conditional upon the Scheme becoming effective.

The purpose of this Explanatory Statement is to explain the terms and effects of the Proposal and the Share Award Offer and, specifically, to provide the holders of the Scheme Shares and the holders of the Outstanding Share Awards with additional information in relation to the Proposal, the Scheme and the Share Award Offer.

THE PROPOSAL

The Proposal will be implemented by way of a scheme of arrangement under section 673 of the Companies Ordinance.

Subject to the Conditions being fulfilled or waived, as applicable, the proposed privatisation of the Company will be implemented by way of the Scheme between the Company and the Scheme Shareholders.

If the Proposal is approved and implemented:

- (a) all the Scheme Shares in issue on the Scheme 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 Scheme 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 in accordance with Rule 6.15(2) of the Listing Rules.

THE SCHEME

The Scheme involves a reduction of the issued share capital of the Company by the cancellation and extinguishment of the Scheme Shares. Upon such reduction, the issued share capital of the Company will be restored to its former amount by the issue by the Company to the Offeror SPV Entity, credited as fully paid, such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished. The credit arising in the Company's books of account as a result of the reduction of capital will be applied in paying up in full the new Shares so allotted and issued, credited as fully paid, to the Offeror SPV Entity.

Cancellation Price

Under the Scheme, the Scheme Shares in issue on the Scheme 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 in cash for each Scheme Share cancelled and extinguished.

Cancellation Price HK\$20.80 (less the Dividend Adjustment (if any)) per Scheme Share

Dividend Adjustment

If: (a) after the date of the 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 the 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 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 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.

Shareholders and potential investors of the Company 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 of the Company 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.

Comparisons of value

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;
- (j) a premium of approximately 2.0% over the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK\$20.40 per Share; and
- (k) 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 of the Company should be aware that, following the making of such statement, the Offeror will not be allowed to increase the Cancellation Price.

SHARE AWARD OFFER**Share Award Scheme and Outstanding Share Awards**

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 Latest Practicable Date, there were 1,507,960 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 1,507,960 new Shares).

Under the rules of the Share Award Scheme, the vesting of all such 1,507,960 Outstanding Share Awards will not be accelerated if the Proposal is approved and implemented. Given all such 1,507,960 Outstanding Share Awards were granted on either 16 March 2020 or 16 March 2021, none of such 1,507,960 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 1,507,960 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.

Share Award Offer, Payment of the Share Award Offer Price and Share Award Offer Letter

Pursuant to Rule 13 of the Takeovers Code, the Offeror is making the Share Award Offer to each Outstanding Share Award Holder to cancel all his/her Outstanding Share Award(s) held by him/her as at the Scheme 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. The Share Award Offer will become unconditional immediately upon the Scheme becoming effective, which will be prior to the withdrawal of the listing of the Shares on the Stock Exchange.

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 within seven (7) business days (as defined in the Takeovers Code) following the vesting date of the relevant Outstanding Share Award(s) which is determined in accordance with the existing vesting schedule of the Outstanding Share Award(s) held by such Outstanding Share Award Holder as at the Scheme Record Date.

Each Outstanding Share Award Holder at the Scheme Record Date who accepts the Share Award Offer and completes and returns a duly completed and executed Form of Acceptance by the prescribed deadline in accordance with the terms of the Share Award Offer Letter will be entitled to receive the Share Award Offer Price for each Outstanding Share Award. Any acceptance of the Share Award Offer and the receipt of the Share Award Offer Price may trigger taxes subject to withholding obligations of the Offeror. The Share Award Offer Price will be paid to the Outstanding Share Award Holder net of such applicable taxes, if any. All holders of Outstanding Share Award(s) are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Share Award Offer.

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) held as at the Scheme 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 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 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.

For the avoidance of doubt, holder(s) of unvested Share Awards will not be eligible to attend and/or vote at the Court Meeting and the EGM solely in the capacity as holder(s) of such unvested Share Awards.

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 held as at the Scheme 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 Share Award Offer Letter and the Form of Acceptance, setting out further information on the Share Award Offer, are set out in the form of the Share Award Offer Letter which are being despatched to the holders of the Outstanding Share Awards at and around the same time as the despatch of this Scheme Document.

TOTAL CONSIDERATION AND FINANCIAL RESOURCES

As at the Latest Practicable Date, there were 243,467,720 Scheme Shares in issue and 1,507,960 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 1,507,960 new Shares).

Assuming that: (a) none of the 1,507,960 Outstanding Share Awards will become vested, or will be cancelled or lapsed, on or before the Scheme 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 Scheme 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 1,507,960 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\$5,095,494,144.

Assuming that: (a) all of the 1,507,960 Outstanding Share Awards will become vested in, and an aggregate of 1,507,960 new Shares will therefore be issued by the Company to, the holders of such Outstanding Share Awards on or before the Scheme 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 Scheme Record Date: (i) the Proposal will involve the cancellation and extinguishment of 244,975,680 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\$5,095,494,144.

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 Scheme 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 the 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 the 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 Latest Practicable Date, each of the Offeror and the Company was 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.

As at the Latest Practicable Date, none of the Conditions had been fulfilled or waived.

As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a Condition.

Assuming that all of the Conditions are fulfilled or, as applicable, waived, the Scheme will become effective on the Effective Date, which is expected to be Monday, 27 September 2021, and the listing of the Shares on the Stock Exchange is expected to be withdrawn at 4:00 p.m. on Thursday, 30 September 2021 pursuant to Rule 6.15(2) of the Listing Rules.

An announcement will be made by the Company and the Offeror in relation to the results of the Court Meeting and the EGM and, if all the resolutions are passed at those meetings, further announcements will be made in relation to, among other things, the results of the hearing of the petition for the sanction of the Scheme by the Court, the Effective Date and the date of withdrawal of listing of the Shares on the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Shareholders, holders of the Outstanding Share Awards and potential investors of the Company 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 of the Company 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.

SHAREHOLDING STRUCTURE OF THE COMPANY, THE SCHEME SHARES AND VOTING AT THE COURT MEETING**Scheme Shares and Voting at the Court Meeting**

As at the Latest Practicable Date:

- (a) there were 972,862,220 Shares in issue;
- (b) save for 1,507,960 Outstanding Share Awards, the Company did not have any outstanding options, warrants, derivatives or securities convertible into Shares in issue;
- (c) other than the 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company) held by the Offeror SPV Entity, the Offeror did not legally or beneficially own, control, or have direction over, any Shares;
- (d) the Offeror SPV Entity legally or beneficially owned, controlled, or had direction over, 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company) (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);
- (e) the Offeror Concert Parties (other than the Offeror SPV Entity, members of the CICC Group and members of the CLSA Group) legally or beneficially owned, controlled, or had direction over, 87,137,421 Shares (representing approximately 8.96% of the entire issued share capital of the Company) (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);
- (f) 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, did not legally or beneficially own, control, or have direction over, any Shares;
- (g) members of the CLSA Group, being the Offeror Concert Parties, did not legally or beneficially own, control, or have direction over, any Shares;
- (h) the holders of the Scheme Shares beneficially owned, controlled, or had direction over, 243,467,720 Shares (representing approximately 25.03% of the entire issued share capital of the Company) (such Shares comprise: (i) the Shares in issue as at the Latest Practicable Date which were held or beneficially owned by the Offeror

Concert Parties (other than the Offeror SPV Entity) as at the Latest Practicable Date; and (ii) the Shares in issue as at the Latest Practicable Date which were held or beneficially owned by the Independent Scheme Shareholders as at the Latest Practicable Date);

- (i) the Independent Scheme Shareholders beneficially owned, controlled, or had direction over, 156,330,299 Shares (representing approximately 16.07% of the entire issued share capital of the Company) (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);
- (j) save for the 225,192 Outstanding Share Awards which were held by Mr Zong Jianxin and Mr Lau Wai Man (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 were no convertible securities, warrants, options or derivatives in respect of the Shares held, controlled or directed by the Offeror or the Offeror Concert Parties;
- (k) neither the Offeror nor the Offeror Concert Parties had entered into any outstanding derivative in respect of the securities of the Company;
- (l) neither the Offeror nor the Offeror Concert Parties had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company; and
- (m) save for the dealings in the Shares 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 during the Relevant Period.

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 Scheme Record Date; and (b) the Shares in issue which are held or beneficially owned by the Independent Scheme Shareholders on the Scheme Record Date.

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).

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. As at the Latest Practicable Date, members of the CICC Group acting in the capacity of exempt principal trader held 11,250 Shares in aggregate for and on behalf of non-discretionary clients.

Shareholding structure

Assuming that: (a) none of the 1,507,960 Outstanding Share Awards will become vested, or will be cancelled or lapsed, on or before the Scheme 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 Scheme 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 Latest Practicable Date and immediately upon the Scheme becoming effective is set out below:

	As at the Latest Practicable Date ^(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)^(Note 3)</i>				
(a) Guangzhou Metro Investment ^(Note 4)	70,126,000	7.21	–	–

	As at the Latest Practicable Date ^(Note 1)		Immediately upon the Scheme becoming effective	
	Number of Shares	%	Number of Shares	%
(b) Guangzhou Auto Investment ^(Note 5)	16,950,000	1.74	–	–
(c) Zong Jianxin ^(Note 6)	42,164	0.01	–	–
(d) Lau Wai Man ^(Note 7)	19,257	0.00	–	–
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	972,862,220	100	972,862,220	100
Total number of Scheme Shares^(Note 9)	243,467,720	25.03	–	–

Notes:

- Save as disclosed in the shareholding structure table above, none of the Directors held any Shares or Outstanding Share Awards as at the Latest Practicable Date.
- 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.
- 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.
- As at the Latest Practicable Date, 70,126,000 Shares were 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.
- As at the Latest Practicable Date, 16,950,000 Shares were 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 Latest Practicable Date, Mr Zong Jianxin held 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.*
7. *As at the Latest Practicable Date, Mr Lau Wai Man held 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.*
8. *The Shares held by the Independent Scheme Shareholders (including the 7,693 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 Scheme Record Date; and (b) the Shares in issue which are held or beneficially owned by the Independent Scheme Shareholders on the Scheme 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 Scheme 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 Latest Practicable Date, there were: (a) no outstanding share options under the Share Option Scheme; and (b) 1,507,960 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 1,507,960 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.

SCHEME OF ARRANGEMENT UNDER SECTION 673 OF THE COMPANIES ORDINANCE AND THE COURT MEETING

Under section 670 of the Companies Ordinance, where an arrangement is proposed to be entered into by a company with the members, or any class of the members, of the company, the Court may, on an application made by the company, any of the members or any member of that class, order a meeting of those members or of that class of members, as the case may be, to be summoned in any manner that the Court directs.

Under section 673 of the Companies Ordinance, if the members or the class of members with whom the arrangement is proposed to be entered into agree or agrees to the arrangement, the Court may, on application by the company, any of the members or any member of that class, as the case may be, sanction the arrangement. An arrangement sanctioned by the Court as aforesaid is binding on the members or the class of members with whom the arrangement is proposed to be entered into.

The Scheme is a takeover offer under section 674 of the Companies Ordinance. Under section 674 of the Companies Ordinance, where the arrangement involves a takeover offer, the members or the class of members agree or agrees to the arrangement if, at a meeting summoned as directed by the Court as aforesaid, members representing at least 75% of the voting rights of the members or the class of members, as the case may be, present and voting, in person or by proxy, agree to the arrangement and the votes cast against the arrangement at the meeting do not exceed 10% of the total voting rights attached to all Disinterested Shares in the company or of the class in the company, as the case may be.

ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

In addition to satisfying any requirements under the Companies Ordinance as summarised above, under Rule 2.10 of the Takeovers Code, except with the consent of the Executive, the Scheme may only be implemented if:

- (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.

As at the Latest Practicable Date, the number of votes representing 10% of the votes attaching to all the Independent Scheme Shares was 15,633,029.

BINDING EFFECT OF THE SCHEME

Notwithstanding the fact that there may be a dissenting minority, if the Scheme is approved at the Court Meeting in accordance with the requirements of section 673 of the Companies Ordinance and Rule 2.10 of the Takeovers Code and is sanctioned by the Court and the other Conditions are either fulfilled or (to the extent permitted) waived, then the Scheme will become binding on the Company and all the Scheme Shareholders.

If the Scheme becomes effective:

- (a) all the Scheme Shares in issue on the Scheme Record Date will be cancelled and extinguished whereupon the issued share capital of the Company shall be reduced and all share certificates for those Scheme Shares cancelled and extinguished shall cease to have effect as evidence of title;
- (b) the share capital of the Company will then be restored to its former amount by the creation of such number of new Shares as is equal to the number of Scheme Shares cancelled and extinguished;
- (c) the credit arising in the Company's books of account as a result of the said reduction of capital will be applied in paying up in full the new Shares created and such new Shares will be so allotted and issued, credited as fully paid, to the Offeror SPV Entity; and
- (d) the Scheme Shareholders will receive the Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Scheme Share held by them which is cancelled and extinguished.

Pursuant to Rule 2.3 of the Takeovers Code, 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. Given that the Proposal, the Scheme and/or the Share Award Offer (as the case may be) 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 share.

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 Latest Practicable Date. 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 Latest Practicable Date, the Offeror and the Offeror SPV Entity held 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 Latest Practicable Date, it is the intention of the Offeror for the Group to continue to carry on its existing business as set out in the section headed “INFORMATION ON THE GROUP” below and the Offeror does not have any immediate plan to make any material change to the business of the Group (including any redeployment of any fixed asset of the Group); or discontinue the continued employment of the employees of the Group (other than in the ordinary course of business).

As at the Latest Practicable Date, the Offeror had not entered into any agreements, arrangements, understandings, intentions or negotiations in relation to any disposal, termination or scaling-down of the Group’s existing business, or any disposal, restructuring or re-deployment of the Group’s assets.

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 is withdrawn or otherwise lapses, 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 Scheme is not approved or the Proposal is withdrawn or otherwise 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.

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 authorised 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 set out in the annual report of the Company for the year ended 31 December 2020, the Group's business is divided into four segments, namely (i) corporate and personal banking services which are principally lending and trade finance facilities, auto financing, consumer financing, overdraft facilities, mandatory provident fund services, provision of fixed deposits, current and savings accounts, credit cards and personal wealth management services; (ii) financial markets activities which mainly comprise inter-bank placement and deposit transactions, management of overall interest rate risk and liquidity of the Group and centralised cash management; (iii) securities business which includes securities trading, stockbroking and futures broking; and (iv) other businesses which comprise investment holding, insurance, other investment advisory services and property investments. As at the Latest Practicable Date, the Company had 34 branches in Hong Kong, 11 branches and sub-branches in the Mainland China and one branch in Macau.

Your attention is drawn to Appendix I headed "Financial Information of the Group" and Appendix II headed "General Information" to this Scheme Document.

WITHDRAWAL OF LISTING OF THE SHARES ON THE STOCK EXCHANGE

Upon the Scheme becoming effective, all the Scheme Shares in issue on the Scheme 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 from 4:00 p.m. on Thursday, 30 September 2021.

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.

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.

REGISTRATION AND PAYMENT**Closure of the register of members of the Company**

Assuming that the Scheme Record Date falls on Thursday, 23 September 2021, it is proposed that the register of members of the Company will be closed from Tuesday, 7 September 2021 (or such other date as the Shareholders may be notified by an announcement)

onwards in order to determine entitlements under the Scheme. In order to qualify for entitlements under the Scheme, holders of Scheme Shares should ensure that the transfers of the Shares to them are lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration in their names or in the names of their nominees no later than 4:30 p.m. (Hong Kong time) on Monday, 6 September 2021.

Payment of the Cancellation Price to the Scheme Shareholders

Upon the Scheme becoming effective, the Cancellation Price will be paid to the Scheme Shareholders whose names appear in the register of members of the Company on the Scheme 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. On the basis that the Scheme becomes effective on Monday, 27 September 2021, the cheques for the payment of the Cancellation Price are expected to be despatched on or before Thursday, 7 October 2021.

Cheques for the payment of the Cancellation Price will be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of the Company as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding. All such cheques will be posted at the risk of the addressees and none of the Offeror, the Offeror Concert Parties, 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 or the Scheme will be responsible for any loss or delay in transmission.

On or after the day being six calendar months after the posting of the cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to the Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to the Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under this Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account in its name, including accrued interest subject to any deduction required by law and expenses incurred.

Assuming that the Scheme becomes effective, the register of members of the Company will be updated accordingly to reflect the cancellation and extinguishment of all the Scheme Shares in issue on the Scheme Record Date and all existing certificates for such Scheme Shares will cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be on Monday, 27 September 2021.

Settlement of the Cancellation Price to which any Scheme Shareholder is entitled will be implemented in full in accordance with the terms of the Proposal without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Scheme Shareholder.

Payment of the Share Award Offer Price to the Outstanding Share Award Holders

The Share Award Offer is conditional upon the Scheme becoming effective. The Share Award Offer will become unconditional immediately upon the Scheme becoming effective, which will be prior to the withdrawal of the listing of the Shares on the Stock Exchange.

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 within seven (7) business days (as defined in the Takeovers Code) following the vesting date of the relevant Outstanding Share Award(s) which is determined in accordance with the existing vesting schedule of the Outstanding Share Award(s) held by such Outstanding Share Award Holder as at the Scheme Record Date.

Each Outstanding Share Award Holder at the Scheme Record Date who accepts the Share Award Offer and completes and returns a duly completed and executed Form of Acceptance by the prescribed deadline in accordance with the terms of the Share Award Offer Letter will be entitled to receive the Share Award Offer Price for each Outstanding Share Award. Any acceptance of the Share Award Offer and the receipt of the Share Award Offer Price may trigger taxes subject to withholding obligations of the Offeror. The Share Award Offer Price will be paid to the Outstanding Share Award Holder net of such applicable taxes, if any. All holders of Outstanding Share Award(s) are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Share Award Offer.

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) held as at the Scheme Record Date.

If the Share Award Offer becomes unconditional, the cash consideration under the Share Award Offer due to the Outstanding Share Award Holders who accept the Share Award Offer in accordance with the terms of the Share Award Offer will be held by the Offeror in a separate account and will be retained in such account pending payment to the Outstanding Share Award Holders as and when the payments are due. Such payments will be made to the Outstanding Share Award Holders by the Offeror within seven (7) business days (as defined in the Takeovers Code) following the vesting date of the relevant Outstanding Share Award(s) which is determined in accordance with the existing vesting schedule of the Outstanding Share Award(s) held by such Outstanding Share Award Holder(s) as at the Scheme Record Date. Settlement of the consideration to which the Outstanding Share Award Holders are entitled under the Share Award Offer will be implemented in full in accordance with the terms of the Share Award Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against any such Outstanding Share Award Holders.

Payment of the Share Award Offer Price under the Share Award Offer will be made either by way of (a) electronic bank transfer into a bank account as customarily used by the Outstanding Share Award Holders to receive compensation from the Group, or (b) posting of a cheque. Payment will be made in Hong Kong dollars. The Outstanding Share Award Holders should inform the Human Resources Division of the Company of the preferred method of payment no later than two weeks prior to the vesting date of his/her Outstanding Share Award(s). All transfer fees (if applicable) will be deducted from the Share Award Offer Price under the Share Award Offer accordingly.

In the case of posting of cheque, (a) the cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to the Outstanding Share Award Holders at the respective registered addresses as appearing in the register of share awards holders of the Company as at the Scheme Record Date, (b) all cheques shall be posted at the risk of the addressees and none of the Offeror, the Offeror Concert Parties, the Company, CICC, CLSA, Yue Xiu Capital, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal or the Share Award Offer will be responsible for any loss or delay in physical delivery, and (c) on or after the day being six calendar months after the posting of the cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Share Award Offer and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to above, including accrued interest subject to any deduction required by law and expenses incurred.

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

This Scheme Document has been prepared for the purposes of complying with the laws of Hong Kong, the Takeovers Code and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this Scheme Document had been prepared in accordance with the laws of jurisdictions outside Hong Kong.

This Scheme Document 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 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. The Offeror and the Company do not represent that this Scheme Document may be lawfully distributed in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Offeror and the Company which is intended to permit a public offering or the distribution of this Scheme Document in any jurisdiction (other than Hong Kong) where action for that purpose is required. Accordingly, it is prohibited to (i) copy, distribute or publish all or part of this Scheme Document or any advertisement or other offering material in any jurisdiction (other than Hong Kong); (ii) disclose its content; or (iii) use information contained therein for any purpose other than assessment of the Proposal or the Share Award Offer.

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). The Offeror and the Company expressly decline any liability for breach of any of these restrictions by any persons.

The table below sets out the number of holders of Scheme Shares whose addresses as shown in the register of members of the Company were outside Hong Kong as at the Latest Practicable Date:

Relevant jurisdiction outside Hong Kong	Number of holders of Scheme Shares	Number of Scheme Shares held by such holder(s)	Approximate percentage of the entire issued share capital of the Company
Australia	1	429	0.00%
Canada	5	3,498	0.00%
England	1	40	0.00%
Japan	1	360	0.00%
Macau	1	429	0.00%
New Zealand	1	12	0.00%
PRC	1	956	0.00%
Total	11	5,724	0.00%

The table below sets out the number of holders of Outstanding Share Awards whose addresses as shown in the register of share awards holders of the Company were outside Hong Kong as at the Latest Practicable Date:

Relevant jurisdiction outside Hong Kong	Number of holders of Outstanding Share Awards	Number of Outstanding Share Awards held by such holder(s)	Approximate percentage of the total number of Outstanding Share Awards
PRC	17	363,556	24.11%
Total	17	363,556	24.11%

The Directors had been advised by the local counsel in the aforementioned jurisdictions that there is no restriction under the respective laws or regulations of those jurisdictions against extending the Scheme and/or the Share Award Offer (as the case may be) automatically or despatching this Scheme Document to those overseas holders of Scheme Shares and overseas holders of Outstanding Share Awards. The Scheme and/or the Share Award Offer (as the case may be) will apply to and this Scheme Document will be despatched to those overseas holders of Scheme Shares and overseas holders of Outstanding Share Awards.

Any acceptance by the holder of Scheme Shares or holder of Outstanding Share Awards 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. For the avoidance of doubt, neither HKSCC nor HKSCC Nominees will give, or be subject to, the above warranty and representation.

Overseas Shareholders in Australia

Neither this Scheme Document nor any other offering or marketing material in connection with the Scheme or Share Award Offer constitutes a prospectus or product disclosure statement under Part 6D.2 or Chapter 7 of the *Corporations Act 2001* (Cth) (“**Australian Corporations Act**”) and the contents of these documents have not been reviewed, approved or registered by the Australian Securities and Investments Commission or any other regulatory authority in Australia. Neither this Scheme Document or any documents issued in connection with it contains the information required to be contained in a disclosure document or product disclosure statement for the purpose of the Australian Corporations Act. Australian resident Shareholders should note that the Offeror is not licensed to provide financial product advice in relation to the Scheme or the Share Award Offer, and this Scheme Document and any documents issued in connection with it does not constitute financial product advice. Shareholders should contact their professional advisers if they have any questions about this Scheme Document or any documents issued in connection with it.

Overseas Shareholders in Canada

This Scheme Document and any other offering or marketing material in connection with the Scheme or the Share Award Offer constitute an offer only in those jurisdictions and to those persons where and to whom they may lawfully be offered for sale, and therein only by persons permitted to purchase such securities. These materials are not, and under no circumstances are to be construed as, a prospectus, an advertisement or a public offering of the interests described herein in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon these materials, and any representation to the contrary is an offence.

Overseas Shareholders in England

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) received in connection with the Scheme has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this Scheme Document, the Share Award Offer Letter and Form of Acceptance are being distributed only to, and are directed at, persons (i) who fall within Article 43 (members or creditors of certain bodies corporate) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or (ii) to whom it may otherwise be lawfully communicated (together “**relevant persons**”). The investments to which this Scheme Document, the Share Award Offer Letter and Form of Acceptance relate are held

only by, and any offer or agreement to cancel such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this Scheme Document, the Share Award Offer Letter or Form of Acceptance or any of their contents.

Overseas Shareholders in Japan

Neither this Scheme Document nor any other offering or marketing material in connection with the Scheme or the Share Award Offer constitutes a prospectus or disclosure document under the Financial Instruments and Exchange Act of Japan and the contents of this Scheme Document have not been reviewed, approved or registered by the Financial Services Agency of Japan or any other regulatory authority in Japan. This Scheme Document does not contain the information required to be contained in a disclosure document for the purpose of the Companies Act of Japan. Japanese resident Shareholders should note that the Offeror is not licensed to provide financial product advice in relation to the Scheme or the Share Award Offer, and this Scheme Document does not constitute financial product advice. Shareholders should contact their professional advisers if they have any questions about this Scheme Document.

Overseas Shareholders in Macau

Neither this Scheme Document nor any other offering or marketing material in connection with the Scheme or the Share Award Offer constitutes a prospectus or product disclosure statement and the contents of this Scheme Document have not been reviewed, approved or registered by the Monetary Authority of Macau or any other regulatory authority in Macau. Macau Shareholders should note that the Offeror is not licensed to provide financial product advice in relation to the Scheme or the Share Award Offer, and this Scheme Document does not constitute financial product advice. Shareholders should contact their professional advisers if they have any questions about this Scheme Document.

Overseas Shareholders in New Zealand

Neither this Scheme Document nor any other offering or marketing material in connection with the Scheme or the Share Award Offer constitutes a product disclosure statement or a disclosure document for the purposes of the Financial Markets Conduct Act 2014 (“**NZ FMC Act**”). The contents of this Scheme Document or any other offering or marketing material in connection with the Scheme or the Share Award Offer have not been reviewed, approved or registered by the New Zealand Financial Markets Authority or any other regulatory authority in New Zealand. This Scheme Document does not contain the information required to be contained in a product disclosure statement or a disclosure document for the purpose of the NZ FMC Act. New Zealand resident Shareholders should note that the Offeror is not licensed to provide financial advice in relation to the Scheme or the Share Award Offer, and this Scheme Document and any other offering or marketing material in connection with the Scheme or the Share Award Offer do not constitute financial advice. Shareholders should contact their professional advisers if they have any questions about this Scheme Document or any other offering or marketing material in connection with the Scheme or the Share Award Offer.

Overseas Shareholders and overseas holders of the Outstanding Share Awards in the PRC

Neither this Scheme Document nor any other offering or marketing material in connection with the Scheme or the Share Award Offer and Form of Acceptance constitutes a prospectus or constitutes issuing of new shares under Article 9 of Securities Law of the People's Republic of China and the contents of this Scheme Document have not been reviewed, approved or registered by the China Securities Regulatory Commission or any other regulatory authority in the PRC. PRC resident Shareholders and PRC resident holders of the Outstanding Share Awards should note that the Offeror is not licensed to provide financial product advice in relation to the Scheme or the Share Award Offer in the PRC, and this Scheme Document does not constitute financial product advice. PRC Shareholders and PRC holders of the Outstanding Share Awards should contact their professional advisers if they have any questions about this Scheme Document.

TAXATION AND INDEPENDENT ADVICE

As the cancellation of the Scheme Shares upon the Scheme becoming effective and the cancellation of the Outstanding Share Awards under the Share Award Offer do not involve the sale and purchase of any Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) in this respect.

Scheme Shareholders and Outstanding Share Award Holders, whether in Hong Kong or in other jurisdictions, 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 and, in particular, whether the receipt of the Cancellation Price or the Share Award Offer Price will make them liable to taxation in Hong Kong or in other jurisdictions.

It is emphasised that none of the Offeror, the Offeror Concert Parties, the Company, CICC, CLSA, Yue Xiu Capital, the Independent Financial Adviser, the Company's share registrar and transfer office and 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.

COURT MEETING AND EGM**Court Meeting**

The Court has directed that the Court Meeting be convened for the purpose of considering and, if thought fit, approving the Scheme (with or without modification).

The Scheme will be subject to the approval by holders of Scheme Shares and Independent Scheme Shareholders, whose names appear in the register of members of the Company as at the Meeting Record Date, at the Court Meeting in the manner referred to in the section headed "CONDITIONS OF THE PROPOSAL" above in this Explanatory Statement.

As at the Latest Practicable Date:

- (a) other than the 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company) held by the Offeror SPV Entity, the Offeror did not legally or beneficially own, control, or have direction over, any Shares;
- (b) the Offeror SPV Entity legally or beneficially owned, controlled, or had direction over, 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company) (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);
- (c) Mr Zong Jianxin (the Deputy Chairman of the Board, an executive Director and the Chief Executive of the Company) and Mr Lau Wai Man (an executive Director and the Deputy Chief Executive of the Company), both being Offeror Concert Parties, legally or beneficially owned, controlled, or had direction over, 42,164 Shares and 19,257 Shares respectively (representing approximately less than 0.01% and less than 0.01% of the entire issued share capital of the Company respectively) (such 61,421 Shares in aggregate 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);
- (d) the Offeror Concert Parties (other than the Offeror SPV Entity, members of the CICC Group, members of the CLSA Group, Mr Zong Jianxin and Mr Lau Wai Man) legally or beneficially owned, controlled, or had direction over, 87,076,000 Shares (representing approximately 8.95% of the entire issued share capital of the Company) (such 87,076,000 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); and
- (e) the Independent Scheme Shareholders beneficially owned, controlled, or had direction over, 156,330,299 Shares (representing approximately 16.07% of the entire issued share capital of the Company) (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).

Save as disclosed above and the 225,192 Outstanding Share Awards which are held by Mr Zong Jianxin and Mr Lau Wai Man, none of the Directors was interested (within the meaning of Part XV of the SFO) in any Shares as at the Latest Practicable Date.

Notice of the Court Meeting is set out in Appendix V to this Scheme Document. The Court Meeting will be held at 10:00 a.m. on Monday, 30 August 2021 at the time and place specified in the notice.

EGM

Immediately following the conclusion of the Court Meeting, the EGM will be held for the purpose of considering and, if thought fit, passing (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 Scheme 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.

All Shareholders whose names appear in the register of members of the Company as at the Meeting Record Date will be entitled to attend and vote at the EGM. 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 the relevant resolutions to be proposed at the EGM.

Notice of the EGM is set out in Appendix VI to this Scheme Document. The EGM will be held at the same place and on the same date at 10:30 a.m. or, if later, immediately after the conclusion or adjournment of the Court Meeting.

For the avoidance of doubt, holder(s) of unvested Share Awards will not be eligible to attend and/or vote at the Court Meeting and the EGM solely in the capacity of holder(s) of such unvested Share Awards.

ACTIONS TO BE TAKEN**Actions to be taken by the Shareholders**

For the purpose of determining the entitlement of the holders of the Scheme Shares to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 25 August 2021 to Monday, 30 August 2021 (both days inclusive) (or such other dates as may be notified by the Company by way of announcement(s)), and during such period, no transfer of the Shares will be effected. In order to qualify to attend and vote at the Court Meeting and the EGM, the relevant forms of transfer of your Shares accompanied by the relevant share certificates shall be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 24 August 2021. A subsequent purchaser of Scheme Shares will need to obtain a proxy form from the transferor if he wishes to attend and vote at the Court Meeting and/or the EGM.

A **pink** proxy form for use at the Court Meeting and a **white** proxy form for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners.

Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof in person, if you are a holder of Scheme Share(s), you are strongly urged to complete and sign the enclosed **pink** proxy form in respect of the Court Meeting, and if you are a Shareholder, we strongly urge you to complete and sign the enclosed **white** proxy form in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. **In order to be valid, the pink proxy form for use at the Court Meeting should be lodged no later than 48 hours (exclusive of any part of a day that is a public holiday, for the avoidance of doubt, Sunday is a public holiday) before the time appointed for holding the Court Meeting (i.e. on or before Friday, 27 August 2021 at 10:00 a.m. (Hong Kong time)) or any adjournment thereof, and the white proxy form for use at the EGM should be lodged no later than 48 hours (exclusive of any part of a day that is a public holiday, for the avoidance of doubt, Sunday is a public holiday) before the time appointed for holding the EGM (i.e. on or before Friday, 27 August 2021 at 10:30 a.m. (Hong Kong time)) or any adjournment thereof.** The completion and return of a proxy form for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that you attend and vote at the relevant meeting or any adjournment thereof after having lodged your proxy form, whether by physical attendance or online attendance through the Online Platform in the case of the Overseas Registered Shareholders, the returned proxy form will be deemed to have been revoked by operation of law.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and/or the EGM. You are therefore strongly urged to attend and vote at the Court Meeting and/or the EGM in person or by proxy.

Voting at the Court Meeting and the EGM will be taken by poll as required under the Listing Rules and the Takeovers Code.

The Offeror and the Company will make an announcement in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. If all the resolutions are passed at those meetings, further announcement(s) will be made by the Company on the results of the hearing of the petition for the sanction of the Scheme by the Court and, if the Scheme is sanctioned, the Effective Date and the date of withdrawal of the listing of the Shares on the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

Actions to be taken by Beneficial Owners whose Shares are held by a Registered Owner or deposited in CCASS

No person shall be recognised by the Company as holding any Shares on trust.

If you are a Beneficial Owner whose Shares are registered in the name of a nominee, trustee, depositary or any other authorised custodian or third party, you should contact such Registered Owner to give instructions to and/or to make arrangements with such Registered Owner as to the manner in which the Shares beneficially owned by you should be voted at the Court Meeting and/or the EGM.

If you are a Beneficial Owner who wishes to attend the Court Meeting and/or the EGM personally, you should: (a) contact the Registered Owner directly to make the appropriate arrangements with the Registered Owner to enable you to attend and vote at the Court Meeting and/or the EGM and, for such purpose, the Registered Owner may appoint you as his/her/its proxy; or (b) arrange for some or all of the Shares registered in the name of the Registered Owner to be transferred into your own name, if you wish to vote (in person or by proxy) at the Court Meeting and/or the EGM.

The appointment of a proxy by the Registered Owner at the Court Meeting and/or the EGM shall be in accordance with all relevant provisions in the articles of association of the Company.

In the case of the appointment of a proxy by the Registered Owner, the relevant proxy forms shall be completed and signed by the Registered Owner and shall be lodged in the manner and no later than the latest time for lodging the relevant proxy forms as more particularly set out in this Scheme Document.

The completion and return of a proxy form for the Court Meeting and/or the EGM will not preclude the Registered Owner from attending and voting in person at the relevant meeting or any adjournment thereof. In the event that the Registered Owner attends and votes at the relevant meeting or any adjournment thereof after having lodged his/her/its proxy forms, whether by physical attendance or online attendance through the Online Platform in the case of the Overseas Registered Shareholders, the returned proxy form will be deemed to have been revoked by operation of law.

Instructions to and/or arrangements with the Registered Owner should be given or made in advance of the relevant latest time for the lodgement of the proxy forms in respect of the Court Meeting and/or the EGM in order to provide the Registered Owner with sufficient time to complete his/her/its proxy forms accurately and to submit them by the deadline. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of the proxy forms in respect of the Court Meeting and/or the EGM, such Beneficial Owner should comply with the requirements of such Registered Owner.

If you are a Beneficial Owner whose Shares are deposited in CCASS and registered under the name of HKSCC Nominees, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such Shares with, a CCASS participant regarding voting instructions to be given to such persons, or alternatively to arrange for some or all of such Shares to be withdrawn from CCASS and transferred into your own name, if you wish to vote at the Court Meeting and/or the EGM. The

procedure for voting in respect of the Scheme by the Investor Participants and the Other CCASS Participants with respect to Shares registered under the name of HKSCC Nominees shall be in accordance with the “Operating Guide for Investor Participants”, the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A SHAREHOLDER OR A BENEFICIAL OWNER, THE OFFEROR AND THE COMPANY STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY SHARES IN A SHARE LENDING PROGRAMME, THE OFFEROR AND THE COMPANY URGE YOU TO RECALL ANY OUTSTANDING SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED SHARES TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING SHARES ON BEHALF OF BENEFICIAL OWNERS, THE OFFEROR AND THE COMPANY WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR RIGHT TO VOTE.

IF APPROVED, THE PROPOSAL WILL BE BINDING ON ALL OF THE SCHEME SHAREHOLDERS, IRRESPECTIVE OF WHETHER OR NOT YOU ATTENDED OR VOTED AT THE COURT MEETING OR THE EGM.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO AND SHOULD CONSULT YOUR LICENSED SECURITIES DEALER OR REGISTERED INSTITUTION IN SECURITIES, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

Actions to be taken by the Outstanding Share Award Holders

The Share Award Offer Letter is being sent to each holder of the Outstanding Share Award(s), together with this Scheme Document and a Form of Acceptance. If you are an Outstanding Share Award Holder and you wish to accept the Share Award Offer, you must complete and return the duly completed and executed Form of Acceptance so as to reach the Offeror at 26/F., Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong for the attention of the Offeror and marked “Chong Hing Bank Limited – Share Award Offer” by no later than 4:00 p.m. on Monday, 11 October 2021 (or such later date and time as may be notified to the holders of the Outstanding Share Awards by or on behalf of the Offeror). No acknowledgement of receipt of any Form of Acceptance or any other document will be given.

You are encouraged to read the instructions and other terms and conditions of the Share Award Offer in the Share Award Offer Letter and the Form of Acceptance.

FURTHER INFORMATION

Further information in relation to the Proposal, the Scheme and the Share Award Offer is set out in the appendices to this Scheme Document, all of which form part of this Explanatory Statement.

Shareholders and the holders of the Outstanding Share Awards should rely only on the information contained in this Scheme Document (and, in respect of the Share Award Offer, the Share Award Offer Letter and the Form of Acceptance). None of the Offeror, the Offeror Concert Parties, the Company, CICC, CLSA, Yue Xiu Capital, the Independent Financial Adviser, the Company's share registrar and transfer office and 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 have authorised anyone to provide you with information that is different from what is contained in this Scheme Document (and, in the case of the Share Award Offer, the Share Award Offer Letter and the Form of Acceptance).

PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS

This Scheme Document includes certain "forward-looking statements". These statements are based on the current expectations of the management of the Offeror and/or the Company (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this Scheme Document include statements about the expected effects on the Company of the Proposal, the expected timing, and all other statements in this Scheme Document other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as "intends", "expects" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future.

There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Proposal and the Share Award Offer, as well as additional factors, such as general, social, economic and political conditions in the countries in which the Offeror and/or the Group operate or other countries which have an impact on the Offeror and/or the Group's business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the Offeror and/or the Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the Offeror and/or the Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the Offeror and/or the Group operate and regional or general changes in asset valuations and disruptions or reductions in travel and operations due to natural or man-made disasters, pandemics, epidemics or outbreak of infections or contagious diseases such as COVID-19. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

All written and oral forward-looking statements in this Scheme Document attributable to the Offeror, the Company or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the Latest Practicable Date.

Any forward-looking statement contained in this Scheme Document based on past or current trends and/or activities of the Company should not be taken as a representation that such trends or activities will continue in the future. No statement in this Scheme Document is intended to be a profit forecast or to imply that the earnings of the Company for the current year or future years will necessarily match or exceed their respective historical or published earnings. Each forward-looking statement speaks only as at the date of the particular statement. Subject to the requirements of the Takeovers Code and other applicable laws and regulations, each of the Offeror and the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions of circumstances on which any such statement is based.

LANGUAGE

In case of any inconsistency, the English language text of this Scheme Document and the accompanying proxy forms shall prevail over the Chinese language text.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the Group for each of the three years ended 31 December 2018, 2019 and 2020, which is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020.

The auditor's reports issued by the auditor of the Company, PricewaterhouseCoopers, in respect of the audited consolidated financial statements of the Group for each of the three years ended 31 December 2018, 2019 and 2020 did not contain any modified opinion, emphasis of matter or material uncertainty related to going concern.

Summary of Consolidated Income Statement and Consolidated Statement of Comprehensive Income

	For the year ended 31 December		
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Interest income	5,565,742	6,492,027	5,102,578
Interest expense	(2,639,190)	(3,232,167)	(2,222,616)
Net interest income	<u>2,926,552</u>	<u>3,259,860</u>	<u>2,879,962</u>
Fee and commission income	513,217	448,854	505,548
Fee and commission expenses	(78,890)	(123,197)	(121,054)
Net fee and commission income	434,327	325,657	384,494
Net income from trading and investments	258,453	241,293	248,155
Other operating income	189,385	184,461	173,506
Operating expenses	(1,661,304)	(1,624,429)	(1,548,840)
Operating profit before impairment allowances	2,147,413	2,386,842	2,137,277
Net impairment losses on financial assets	(422,003)	(137,881)	(178,254)
Operating profit after impairment allowances	1,725,410	2,248,961	1,959,023
Net losses on disposal of equipment	(573)	(344)	(341)
Net (losses) gains on fair value adjustments on investment properties	(10,300)	(4,431)	10,250
Other non-operating income	–	–	116,655
Share of profits of associates	42,229	37,191	19,628
Profit before taxation	1,756,766	2,281,377	2,105,215
Taxation	(276,788)	(380,735)	(344,828)
Profit for the year attributable to equity owners of the Company	<u>1,479,978</u>	<u>1,900,642</u>	<u>1,760,387</u>
Earnings per share – basic and diluted	<u>HK\$1.34</u>	<u>HK\$1.80</u>	<u>HK\$2.14</u>
Total comprehensive income attributable to equity owners of the Company	<u>1,431,373</u>	<u>2,279,853</u>	<u>1,133,050</u>
Total dividend paid during the year	505,714	564,065	419,804
Dividend per share	HK\$0.34	HK\$0.58	HK\$0.58

Save as disclosed above, there was no item of any income or expense which was material in respect of the consolidated financial results of the Group for each of the three years ended 31 December 2018, 2019 and 2020.

2. CONSOLIDATED FINANCIAL STATEMENTS

The Company is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”), (ii) the audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”), and (iii) the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”), together with the significant accounting policies and any points from the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The 2018 Financial Statements are set out on pages 79 to 246 in the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), which was published on 25 March 2019. The 2018 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chbank.com>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0325/ltm20190325561.pdf>

<http://www.chbank.com/data/media/document/20200904-010041082.pdf>

The 2019 Financial Statements are set out on pages 76 to 231 in the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”), which was published on 9 April 2020. The 2019 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chbank.com>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0409/2020040901235.pdf>

<http://www.chbank.com/data/media/document/20200904-005625012.pdf>

The 2020 Financial Statements are set out on pages 84 to 220 in the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), which was published on 14 April 2021. The 2020 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.chbank.com>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0414/2021041400293.pdf>

<http://www.chbank.com/data/media/document/20210414-162520010.pdf>

The 2018 Financial Statements, the 2019 Financial Statements, and the 2020 Financial Statements (but not any other part of the 2018 Annual Report, the 2019 Annual Report and the 2020 Annual Report) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Scheme Document, the Group had the following outstanding borrowings:

- (i) a fixed rate subordinated note due 2027 (the “**2027 Subordinated Notes**”) with a principal amount of approximately US\$382.90 million (equivalent to approximately HK\$2.98 billion) and a carrying amount of approximately HK\$3.03 billion, which qualifies as Tier 2 capital under Basel III and are 10-year non-call five-year fixed rate notes. The 2027 Subordinated Notes have a fixed coupon rate of 3.876% per annum payable semi-annually for the first five years, and the interest rate will be reset on 26 July 2022. The obligations under the 2027 Subordinated Notes are not secured by any collateral; and
- (ii) deposits from customers, deposits and balances of banks, certificate of deposit issued, financial assets sold under repurchase agreements, direct credit substitutes, forward asset purchases, trade-related contingencies, undrawn formal standby facilities, credit lines and other commitments that arise from the normal course of the Company’s banking business.

The above outstanding borrowings have not included the following additional tier 1 capital securities:

- (i) a face value of US\$400 million (equivalent to approximately HK\$3.11 billion net of related issuance costs) (the “**US\$400 million Additional Tier 1 Capital Securities**”) which are classified as additional equity instruments in the Group’s consolidated statement of financial position. The US\$400 million Additional Tier 1 Capital Securities are undated and bear a 5.7% coupon until the first call date on 15 July 2024. The coupon will be reset every five years if the US\$400 million Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 3.858% per annum; and
- (ii) a face value of US\$300 million (equivalent to approximately HK\$2.32 billion net of related issuance costs) (the “**US\$300 million Additional Tier 1 Capital Securities**”) which are classified as additional equity instruments in the Group’s consolidated statement of financial position. The US\$300 million Additional Tier 1 Capital Securities are undated and bear a 5.5% coupon until the first call date on 3 August 2025. The coupon will be reset every five years if the US\$300 million Additional Tier 1 Capital Securities are not redeemed to a fixed rate equivalent to the then-prevailing five-year US Treasury rate plus 5.237% per annum.

As at the close of business on 30 April 2021, the Group had lease liabilities of approximately HK\$479.74 million.

Save as set out above, and apart from intra-group liabilities, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowing or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 30 April 2021.

4. MATERIAL CHANGES

The Directors confirm that, save and except as disclosed below, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to the Latest Practicable Date:

- (i) The Group recorded decrease in both interest income and interest expense for the five months ended 31 May 2021 as compared with the corresponding period in 2020, which was generally in line with the further decline in the overall Hong Kong market interest rate subsequent to 31 December 2020. Such further decline in the overall market interest rate continued the downward trend of Hong Kong dollar interest rate as mentioned in the 2020 Annual Report;
- (ii) The Group saw an improvement in fee and commission generation from its securities dealings and loan-related businesses during the five months ended 31 May 2021 as compared with the corresponding period in 2020, which was mainly attributable to (a) the increase in securities dealing activities which was generally in line with the overall securities market turnover in Hong Kong; and (b) the completion of certain major syndicated loans subsequent to 31 December 2020;
- (iii) Subsequent to 31 December 2020, the Group noted an overall recovery in its share of results of associates, which was primarily attributable to the gains from securities investment of the Group's two major associated companies principally engaging in insurance/re-insurance business for generating return to fulfil their insurance liabilities; and
- (iv) Subsequent to 31 December 2020, the Group's net impairment loss on financial assets was principally affected by the combined effect of (a) the gradual recovery of macroeconomic conditions in 2021 as opposed to the significantly deteriorated macroeconomic factors in 2020 for which more substantial net impairment loss was recognised by the Group; and (b) provision of net impairment loss on several loans to corporate customers.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of providing information with regard to the Group, the Offeror, the Proposal, the Scheme and the Share Award Offer.

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

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

The issue of this Scheme Document has been approved by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (other than the information relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in this Scheme Document (other than those 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 Scheme Document, the omission of which would make any statement in this Scheme Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date:

- (a) the issued and paid up share capital of the Company comprised 972,862,220 Shares;
- (b) save for 336,126 Shares issued on 16 March 2021 upon vesting of the relevant Share Awards pursuant to the Share Award Scheme, the Company had not issued any Shares since 31 December 2020, being the end of the last financial year of the Company, up to the Latest Practicable Date;

- (c) all of the issued Shares ranked pari passu in all respects with each other, including all rights as to dividends, voting and capital; and
- (d) save for 1,507,960 Outstanding Share Awards, there were no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by the Company that carried a right to subscribe for or which were convertible or exchangeable into Shares.

3. DISCLOSURE OF INTERESTS, DEALINGS AND OTHER ARRANGEMENTS

(i) Disclosure of interests in the Company's securities

As at the Latest Practicable Date:

- (a) save as disclosed in the section headed "SHAREHOLDING STRUCTURE OF THE COMPANY, THE SCHEME SHARES AND VOTING AT THE COURT MEETING" in the Explanatory Statement set out in Part VII of this Scheme Document, none of the Directors was interested (within the meaning of Part XV of the SFO) in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) (i) no subsidiary of the Company, (ii) no pension fund of the Company or of a subsidiary of the Company, and (iii) no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of "associate" under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled (as the case may be) any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (c) neither the Company nor any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of "acting in concert" under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of "associate" under the Takeovers Code had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (d) no fund manager (other than exempt fund managers) connected with the Company managed any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares on a discretionary basis;
- (e) neither the Company nor any Director had borrowed or lent (as the case may be) any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;

- (f) each Director, in respect of the Outstanding Share Awards held by him (if any), intended to accept the Share Award Offer;
- (g) save for 729,394,500 Shares (representing approximately 74.97% of the entire issued share capital of the Company) owned or controlled by the Offeror SPV Entity, the Offeror did not own or control any other Shares or any convertible securities, warrants, options or derivatives in respect of any Shares;
- (h) save as disclosed in the section headed “SHAREHOLDING STRUCTURE OF THE COMPANY, THE SCHEME SHARES AND VOTING AT THE COURT MEETING” in the Explanatory Statement set out in Part VII of this Scheme Document, none of the directors of the Offeror were interested within the meaning of Part XV of the SFO in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares and no Offeror Concert Parties owned or controlled any Shares or any convertible securities, warrants, options or derivatives in respect of Shares;
- (i) neither the Offeror nor any of the Offeror Concert Parties had received any irrevocable commitment to vote for or against the Proposal or to accept or reject the Share Award Offer;
- (j) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Offeror or any of the Offeror Concert Parties; and
- (k) none of the Offeror or the Offeror Concert Parties had borrowed or lent any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares.

(ii) Dealings in the Company’s securities

During the Relevant Period:

- (a) none of the Directors had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) none of the Offeror, the directors of the Offeror or the Offeror Concert Parties had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of any Shares; and
- (c) no person who had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Offeror or any of the Offeror Concert Parties had dealt for value in the Shares or any convertible securities, warrants, options or derivatives in respect of any Shares.

During the period commencing on 18 May 2021, being the date of the Announcement, and ending on the Latest Practicable Date:

- (a) (i) no subsidiary of the Company, (ii) no pension fund of the Company or of a subsidiary of the Company, and (iii) no person who is presumed to be acting in concert with the Company by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares;
- (b) no person having any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is presumed to be acting in concert with the Company by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of the Company by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares; and
- (c) no fund manager (other than exempt fund managers) connected with the Company who managed any Shares or any convertible securities, warrants, options or derivatives in respect of the Shares on a discretionary basis had dealt for value in any Shares or any convertible securities, warrants, options or derivatives in respect of Shares.

(iii) Disclosure of interests in the Offeror’s securities

As at the Latest Practicable Date:

- (a) the Company did not own or control any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of shares of the Offeror; and
- (b) none of the Directors was interested (within the meaning of Part XV of the SFO) in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

(iv) Dealings in the Offeror’s securities

During the Relevant Period, neither the Company nor any Director had dealt for value in any shares of the Offeror or any convertible securities, warrants, options or derivatives in respect of the shares of the Offeror.

(v) Arrangements in connection with the Proposal

As at the Latest Practicable Date:

- (a) there was no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder (on one hand); and (2) the Company or any of its subsidiaries or associated companies (on the other hand);
- (b) there was no understanding, arrangement or agreement which constitutes a special deal (as defined under Rule 25 of the Takeovers Code) between (1) any Shareholder (on one hand); and (2) the Offeror or the Offeror Concert Parties (on the other hand);
- (c) save for the Cancellation Price and the Share Award Offer Price, there was no other consideration, compensation or benefit in whatever form paid or to be paid by the Offeror or any of the Offeror Concert Parties to the Scheme Shareholders or the Outstanding Share Award Holders or any party acting in concert with any of them in connection with the Scheme Shares or the Outstanding Share Awards;
- (d) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any of the Offeror Concert Parties and any Director, recent Director, Shareholders or recent Shareholders having any connection with or being dependent upon the Proposal or the Share Award Offer;
- (e) there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal or the Share Award Offer; and
- (f) there was no agreement, arrangement or understanding between the Offeror and any other person in relation to the transfer, charge or pledge of the Shares to be acquired pursuant to the Proposal and the Offeror had no intention to transfer, charge or pledge any Shares acquired pursuant to the Proposal to any other person.

(vi) Arrangements affecting the Directors

As at the Latest Practicable Date:

- (a) no benefit was or would be given to any Director as compensation for loss of office or otherwise in connection with the Proposal or the Share Award Offer;
- (b) there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Proposal, the Share Award Offer or otherwise connected with the Proposal or the Share Award Offer; and
- (c) there were no material contracts entered into by the Offeror in which any Director has a material personal interest.

4. MARKET PRICES OF THE SHARES

- (a) The table below shows the closing prices per Share as quoted on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) at the end of each calendar month during the Relevant Period.

Date	Closing price per Share (HK\$)
27 July 2021, being the Latest Practicable Date	20.40
6 May 2021, being the Last Trading Day	13.76
<i>At the end of each calendar month during the Relevant Period:</i>	
30 November 2020	9.45
31 December 2020	9.40
29 January 2021	9.50
26 February 2021	9.94
31 March 2021	9.86
30 April 2021	10.26
31 May 2021	20.35
30 June 2021	20.40

- (b) During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$20.50 per Share on 25 May 2021 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$9.20 per Share on 11 January 2021 and 12 January 2021.
- (c) The Cancellation Price of HK\$20.80 per Scheme Share (assuming that there will be no Dividend Adjustment) represents a premium of approximately 51.2% over the closing price of HK\$13.76 per Share as quoted on the Stock Exchange on the Last Trading Day.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) had been entered into by members of the Group within the two years before 18 May 2021 (being the date of the Announcement) up to and including the Latest Practicable Date that were or might be material:

- (1) the trust deed dated 2 July 2019 entered into between the Company (as issuer) and The Hongkong and Shanghai Banking Corporation Limited (as trustee) in relation to the Company's US\$2,000,000,000 medium term note and perpetual capital securities programme;
- (2) the agency agreement dated 2 July 2019 entered into among (i) the Company (as issuer) and (ii) The Hongkong and Shanghai Banking Corporation Limited (as (a) issuing and paying agent and calculation agent in respect of each series of instruments cleared through Euroclear or Clearstream, Luxembourg, (b) as CMU lodging and paying agent and, calculation agent in respect of each series of CMU instruments, (c) as registrar and transfer agent in respect of each series of registered instruments) and (d) as trustee) in relation to the Company's US\$2,000,000,000 medium term note and perpetual capital securities programme;
- (3) the dealer agreement dated 2 July 2019 entered into among (i) the Company (as issuer), (ii) the Company, The Hongkong and Shanghai Banking Corporation Limited (as the initial arrangers and dealers) and (iii) ABCI Capital Limited, BOCI Asia Limited, CCB International Capital Limited and Yue Xiu Securities Company Limited (as dealers) in relation to the Company's US\$2,000,000,000 medium term note and perpetual capital securities programme;
- (4) the subscription agreement dated 8 July 2019 entered into among (i) the Company (as issuer) and (ii) BOCI Asia Limited, CCB International Capital Limited, the Company, The Hongkong and Shanghai Banking Corporation Limited, Yue Xiu Securities Company Limited, ABCI Capital Limited, CMB International Capital Limited (as managers) in relation to US\$400,000,000 5.70 per cent. undated non-cumulative subordinated additional tier 1 capital securities issued under the Company's US\$2,000,000,000 medium term note and perpetual capital securities programme. The gross proceeds and net proceeds from such issue was US\$400,000,000 and approximately US\$399,200,000 (after deduction of agency, arrangement and underwriting fees to the agents, arrangers and managers) respectively;
- (5) the amended and restated dealer agreement dated 24 July 2020 entered into among (i) the Company (as issuer), (ii) the Company, The Hongkong and Shanghai Banking Corporation Limited (as the arrangers and dealers) and (iii) ABCI Capital Limited, BOCI Asia Limited, CCB International Capital Limited and Yue Xiu Securities Company Limited (as dealers) in relation to the Company's US\$2,000,000,000 medium term note and perpetual capital securities programme; and

- (6) the subscription agreement dated 27 July 2020 entered into among (i) the Company (as issuer) and (ii) ABCI Capital Limited, BOCI Asia Limited, CCB International Capital Limited, the Company, CLSA Limited, CMB International Capital Limited, CMBC Securities Company Limited and Yue Xiu Securities Company Limited (as managers) in relation to US\$250,000,000 5.50 per cent. undated non-cumulative subordinated additional tier 1 capital securities and the subscription agreement dated 29 July 2020 entered into among (i) the Company (as issuer) and (ii) BOCI Asia Limited and the Company (as managers) in relation to US\$50,000,000 5.50 per cent. undated non-cumulative subordinated additional tier 1 capital securities, consolidated and formed a single series as the US\$300,000,000 5.50 per cent. undated non-cumulative subordinated additional tier 1 capital securities issued on 3 August 2020 and under the Company's US\$2,000,000,000 medium term note and perpetual capital securities programme. The gross proceeds and net proceeds from such issue was US\$300,000,000 and approximately US\$299,450,000 (after deduction of arrangement and underwriting fees to the arrangers and managers) respectively.

7. DIRECTORS' SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors had entered into any service contract with the Company or any of its subsidiaries or associated companies (i) which (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; (ii) which were continuous contracts with a notice period of 12 months or more; or (iii) which were fixed term contracts with more than 12 months to run irrespective of the notice period.

Relevant company	Name of the Director under contract	Commencement date of term of appointment	Expiry date of term of appointment	Annual remuneration (Note 1)
Chong Hing Insurance Company Limited ("CHICL"), a wholly-owned subsidiary of the Company	Mr Yu Lup Fat Joseph	1 May 2021 (Note 2)	N/A	HK\$50,000 (for services as an independent non-executive director of CHICL); and HK\$30,000 (for services as a member of the risk committee of CHICL)

Notes:

- There is no variable remuneration.
- There is no earlier contract in relation to Mr Yu Lup Fat Joseph's services as an independent non-executive director of CHICL and as a member of the risk committee of CHICL.

8. CONSENT AND QUALIFICATIONS OF EXPERT

The following are the qualification of the expert which has given advice which is contained in this Scheme Document:

Name	Qualification
Somerley Capital Limited	a licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Somerley Capital Limited has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion herein of its letters, opinions, reports and/or advices (as the case may be) and/or references to its name, opinions, reports and/or letters (as the case may be) in the form and context in which they respectively appear.

Each of CICC, CLSA and Yue Xiu Capital has given and has not withdrawn its written consent to the issue of this Scheme Document with the reference to its name in the form and context in which it respectively appears herein.

9. MISCELLANEOUS

- (i) The registered office of the Company is situated at Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong.
- (ii) The company secretary of the Company is Ms Lai Wing Nga, who is a fellow member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (iii) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited, of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) The principal place of business of the Independent Financial Adviser is at 20th Floor, China Building, 29 Queen's Road Central, Hong Kong.
- (v) Information regarding the Offeror and the principal members of the Offeror Concert Parties is set out below:
 - (a) the registered office of the Offeror is 26/F., Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong. As at the Latest Practicable Date, the directors of the Offeror are Mr Zhang Zhaoxing, Mr Ye Shanhu, Mr Wu Shanghui, Ms Chen Shu, Mr Tan Yue, Mr Huang Benjian, Mr Chen Ping and Mr Liang Yuxing;

- (b) the Offeror is a wholly-owned subsidiary of Yuexiu Holdings, which is in turn beneficially wholly-owned by the Guangzhou Government. The Offeror SPV Entity is a wholly-owned subsidiary of the Offeror;
- (c) the registered office of the Offeror SPV Entity is 28/F., Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong. As at the Latest Practicable Date, the directors of the Offeror SPV Entity are Mr Li Feng, Mr Zong Jianxin, Mr Lau Wai Man, Mr Chow Cheuk Yu Alfred, Ms Chen Jing, Mr Cheng Yuk Wo, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph; and
- (d) the registered office of Yuexiu Holdings is 65/F., Guangzhou International Finance Center, No. 5 Zhujiang West Road, Zhujiang New Town, Tianhe District, Guangzhou, China. As at the Latest Practicable Date, the directors of Yuexiu Holdings are Mr Zhang Zhaoxing, Mr Ye Shanhu, Mr Wu Shanghui, Ms Chen Shu, Mr Tan Yue, Mr Huang Benjian, Mr Chen Ping, Mr Liang Yuxing and Mr Zeng Yun.
- (vi) The registered office of CICC is at 29/F., One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (vii) The registered office of CLSA is at 18/F., One Pacific Place, 88 Queensway, Hong Kong.

Copies of the following documents will be available for inspection (i) at the registered office of the Company at Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (except Saturdays, Sundays and public holidays in Hong Kong); (ii) on the website of the Company at www.chbank.com; and (iii) on the website of the SFC at www.sfc.hk during the period from the date of this Scheme Document until the earlier of (a) the Effective Date and (b) the date on which the Scheme lapses or is withdrawn:

- (a) the articles of association of the Company;
- (b) the articles of association of the Offeror;
- (c) the 2018 Annual Report, the 2019 Annual Report and the 2020 Annual Report;
- (d) the letter from the Board, the text of which is set out in Part IV of this Scheme Document;
- (e) the letter from the Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (f) the letter from the Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (g) the material contracts referred to in the paragraph headed “6. MATERIAL CONTRACTS” in Appendix II to this Scheme Document;
- (h) the service contract referred to in the paragraph headed “7. DIRECTORS’ SERVICE CONTRACTS” in Appendix II to this Scheme Document;
- (i) the written consents referred to in the paragraph headed “8. CONSENT AND QUALIFICATIONS OF EXPERT” in Appendix II to this Scheme Document; and
- (j) this Scheme Document.

HCMP No. 968/2021

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 968 OF 2021

IN THE MATTER OF

CHONG HING BANK LIMITED
創興銀行有限公司

AND

IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

SCHEME OF ARRANGEMENT
Under Section 673 of the Companies Ordinance,
Chapter 622 of the Laws of the Hong Kong Special Administrative Region

PRELIMINARY

- i. In this Scheme, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set out opposite them:

“2020 Interim Dividend” 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” the annual general meeting of the Company held on 14 May 2021

“acting in concert” has the meaning ascribed to it under the Takeovers Code

“Announcement”	the joint announcement dated 18 May 2021 jointly issued by the Offeror and the Company pursuant to Rule 3.5 of the Takeovers Code in relation to, among others, the Proposal, the Scheme and the Share Award Offer
“Announcement Date”	18 May 2021, being the date of the Announcement
“associates”	has the meaning ascribed to it under the Takeovers Code
“Board”	the board of Directors
“Cancellation Price”	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”	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”	CICC and persons Controlling, Controlled by, or under the same Control as, CICC
“CLSA”	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”	CLSA and persons Controlling, Controlled by, or under the same Control as, CLSA
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

“Company”	Chong Hing Bank Limited, a limited liability company incorporated under the laws of Hong Kong and an authorised 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)
“Conditions”	the conditions to the implementation of the Proposal, as set out under the section headed “CONDITIONS OF THE PROPOSAL” in the Explanatory Statement in Part VII of the Scheme Document
“Control”	has the meaning ascribed to it under the Takeovers Code and “Controlling” and “Controlled” shall be construed accordingly
“Court”	the High Court of Hong Kong
“Court Meeting”	a meeting of the holders of the Scheme Shares to be convened at the direction of the Court at 10:00 a.m. on Monday, 30 August 2021 at 13th, 27th and/or 28th Floor(s) (with registration taking place on 27th Floor), Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong at which the Scheme will be voted upon, or any adjournment thereof, notice of which is set out on pages V-1 to V-5 of this Scheme Document
“Director(s)”	the director(s) of the Company
“Dividend Adjustment”	means in the event that: (a) after the date of the 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

	<p>(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),</p> <p>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</p>
“Effective Date”	the date on which the Scheme becomes effective in accordance with the Companies Ordinance
“EGM”	an extraordinary general meeting of the Company to be held at 10:30 a.m. on Monday, 30 August 2021 at 13th, 27th and/or 28th Floor(s) (with registration taking place on 27th Floor), Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong (or if later, on the same day and at the same place immediately after the Court Meeting shall have been concluded or adjourned) for the purpose of, among other things, approving the reduction of the share capital of the Company and implementing the Scheme, or any adjournment thereof, notice of which is set out on pages VI-1 to VI-5 of this Scheme Document
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate(s) of the Executive Director
“exempt fund manager”	has the meaning ascribed to it under the Takeovers Code
“exempt principal trader”	has the meaning ascribed to it under the Takeovers Code
“Explanatory Statement”	the explanatory statement in relation to the Scheme, the text of which is set out on pages 74 to 111 of the Scheme Document
“Final Dividend”	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 had been 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”	the Company and its subsidiaries

“Guangzhou Auto”	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”	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”	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”	the Guangzhou Municipal People’s Government of the PRC
“Guangzhou Metro”	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”	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\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Board Committee”	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 resolution to be proposed at the Court Meeting to approve the Scheme and the relevant resolutions to be proposed at the EGM to approve and give effect to the Scheme; and (c) acceptance of the Share Award Offer by the Outstanding Share Award Holders
“Independent Financial Adviser”	Somerville 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 and the Share Award Offer are, or are not, fair and reasonable; (b) voting by the Independent Scheme Shareholders at the Court Meeting and all Shareholders at the EGM; and (c) acceptance of the Share Award Offer by the Outstanding Share Award Holders
“Independent Scheme Share(s)”	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: (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

“Independent Scheme Shareholder(s)”

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 it 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
“Latest Practicable Date”	27 July 2021, being the latest practicable date prior to the printing of the Scheme Document for the purpose of ascertaining certain information for inclusion in the Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	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)
“Macau”	the Macau Special Administrative Region of the People’s Republic of China
“Meeting Record Date”	Monday, 30 August 2021, or such other date as shall have been announced by the Company, being the record date for the purpose of determining the entitlement of the holders of the Scheme Shares to attend and vote at the Court Meeting and the entitlement of the Shareholders to attend and vote at the EGM
“Offeror”	Yue Xiu Enterprises (Holdings) Limited, a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Yuexiu Holdings

“Offeror Concert Parties”	<p>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):</p> <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 one of the joint financial advisers 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 one of the joint financial advisers 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”	the Offeror and its subsidiaries
“Offeror SPV Entity”	Yuexiu Financial Holdings Limited, a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Offeror

“Outstanding Share Award(s)”	the unvested Share Award(s) which are outstanding
“Outstanding Share Award Holder(s)”	the holder(s) of the Outstanding Share Award(s) as at the Scheme Record Date
“Possible Interim Dividend”	any interim dividend for the six months ended 30 June 2021 which may or may not be declared by the Board
“PRC” or “China” or “Mainland China”	the People’s Republic of China and, for the purpose of the Scheme Document, excluding Hong Kong, Macau and Taiwan
“Proposal”	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 the Scheme Document
“Registrar of Companies”	the Registrar of Companies appointed under the Companies Ordinance
“Scheme”	the scheme of arrangement to be proposed under section 673 of the Companies Ordinance for the implementation of the Proposal
“Scheme Document”	this composite scheme document dated 30 July 2021 of the Offeror and the Company containing, among other things, further details of the Proposal and the Share Award Offer
“Scheme Record Date”	the record date for the purpose of determining the entitlement of the holders of the Scheme Shares to receive the Cancellation Price under the Scheme and the entitlement of the holders of the Outstanding Share Awards to participate in the Share Award Offer, which is expected to be Thursday, 23 September 2021 (or such other date as shall be confirmed and announced by the Offeror and the Company upon the Court hearing of the petition for the sanction of the Scheme)
“Scheme Share(s)”	the Share(s) in issue other than those which are held or beneficially owned by the Offeror or the Offeror SPV Entity

“Scheme Shareholder(s)”	the registered holder(s) of the Scheme Share(s) as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Share Award(s)”	the share award(s) granted under the Share Award Scheme from time to time
“Share Award Offer”	the offer 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 on the terms and conditions contained in this Scheme Document and the Share Award Offer Letter
“Share Award Offer Letter”	the letter dated 30 July 2021 setting out the terms and conditions of the Share Award Offer in the form as set out in Appendix VII to this Scheme Document
“Share Award Scheme”	the share award scheme adopted by the Company on 27 February 2020
“Shareholder(s)”	the registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“Yue Xiu Capital”	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”	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
“%”	per cent

* *For identification purposes only*

- ii. The Company was incorporated on 17 March 1955 in Hong Kong under the Companies Ordinance.
- iii. As at the Latest Practicable Date, the issued share capital of the Company comprised 972,862,220 Shares and there were 1,507,960 Outstanding Share Awards.
- iv. As at the Latest Practicable Date, the Offeror, through the Offeror SPV Entity, owned or controlled 729,394,500 Shares, representing approximately 74.97% of the entire issued share capital of the Company.
- v. Each of the Offeror and the Offeror SPV Entity is a company incorporated in Hong Kong with limited liability. 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. As at the Latest Practicable Date, the Offeror SPV Entity is a wholly-owned subsidiary of the Offeror.
- vi. The primary purpose of this Scheme is to privatise the Company by cancelling and extinguishing all of the Scheme Shares in issue on the Scheme Record 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, so that the Company shall thereafter become wholly owned by the Offeror SPV Entity.
- vii. Immediately after the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date, 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.

- viii. The 729,394,500 Shares in which the Offeror is interested through the Offeror SPV Entity will not form part of the Scheme Shares and, as such, will not be voted at the Court Meeting. Shares held by the Offeror SPV Entity will not be cancelled under the Scheme and will continue to be held by it upon the Scheme becoming effective.
- ix. Upon the Scheme becoming effective, the Offeror, through the Offeror SPV Entity, will be interested in the entire issued share capital of the Company.
- x. The Offeror has agreed to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed and done by it for the purpose of giving effect to this Scheme.
- xi. As at the Latest Practicable Date, the Offeror Concert Parties (other than the Offeror SPV Entity, members of the CICC Group and members of the CLSA Group) legally or beneficially owned, controlled, or had direction over, 87,137,421 Shares, representing approximately 8.96% of the entire issued share capital of the Company.
- xii. As at the Latest Practicable Date, 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, did not legally or beneficially own, control, or have direction over, any Shares.
- xiii. As at the Latest Practicable Date, members of the CLSA Group, being the Offeror Concert Parties, did not legally or beneficially own, control, or have direction over, any Shares.
- xiv. The 87,137,421 Shares in which the Offeror Concert Parties (other than the Offeror SPV Entity, members of the CICC Group and members of the CLSA Group) are interested 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.
- xv. Pursuant to Rule 13 of the Takeovers Code, the Offeror is also making the Share Award Offer to each Outstanding Share Award Holder to cancel all his/her Outstanding Share Award(s) held by him/her as at the Scheme Record Date. The Share Award Offer is conditional upon the Scheme becoming effective.

THE SCHEME**Part I****Cancellation and extinguishment of the Scheme Shares**

1. On the Effective Date:
 - (a) the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares in issue on the Scheme Record Date;
 - (b) subject to and forthwith upon such reduction of share capital taking effect, the share capital of the Company be restored to its former amount 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; and
 - (c) the Company shall apply the credit arising in its books of account as a result of the reduction of capital in paying up in full the new Shares to be allotted and issued, credited as fully paid, to the Offeror SPV Entity.

Part II**Consideration for the cancellation and extinguishment of the Scheme Shares**

2. In consideration of the cancellation and extinguishment of the Scheme Shares in issue on the Scheme Record Date, the Offeror shall pay or cause to be paid to each Scheme Shareholder the Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each Scheme Share cancelled and extinguished.

Part III**General**

3. (a) As soon as possible but in any event within seven (7) business days (as defined in the Takeovers Code) following the Effective Date, the Offeror shall post or cause to be posted to the Scheme Shareholders cheques in respect of the sums payable to such Scheme Shareholders pursuant to paragraph 2 of this Scheme.
 - (b) All such cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to such Scheme Shareholders at their respective registered addresses as appearing in the register of members of the Company as at the Scheme Record Date, or in the case of joint holders, at the address appearing in the register of members of the Company as at the Scheme Record Date of the joint holder whose name then stands first in the register of members of the Company in respect of the relevant joint holding.

- (c) All cheques shall be made payable to the order of the person or persons to whom, in accordance with the provisions of paragraph 3(b) of this Scheme, the envelope containing the same is addressed and the encashment of any such cheque shall be good discharge to the Offeror and the Company for the moneys represented thereby.
 - (d) All cheques shall be posted at the risk of the addressees and none of the Offeror, the Offeror Concert Parties, the Company, CICC, CLSA, Yue Xiu Capital, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal or the Scheme will be responsible for any loss or delay in transmission.
 - (e) On or after the day being six calendar months after the posting of the cheques pursuant to paragraph 3(b) of this Scheme, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror. The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall, prior to such date, make payments therefrom of the sums payable pursuant to paragraph 2 of this Scheme to persons who satisfy the Offeror that they are respectively entitled thereto and the cheques referred to in paragraph 3(b) of this Scheme of which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled pursuant to paragraph 2 of this Scheme. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.
 - (f) On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under this Scheme and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to in paragraph 3(e) of this Scheme, including accrued interest subject to any deduction required by law and expenses incurred.
 - (g) The preceding sub-paragraphs of this paragraph 3 shall take effect subject to any prohibition or condition imposed by law.
4. As from and including the Effective Date:
- (a) all certificates for the Scheme Shares in issue on the Scheme Record Date shall cease to have effect as documents or evidence of title for such Scheme Shares and every holder thereof shall be bound, at the request of the Company, to deliver up such certificates to the Company or to any person appointed by the Company to receive the same for cancellation;

- (b) all instruments of transfer validly subsisting as at the Scheme Record Date in respect of the transfer of any number of the Scheme Shares shall cease to be valid for all purposes as instruments of transfer; and
 - (c) all mandates or other instructions to the Company in force as at the Scheme Record Date in relation to any of the Scheme Shares shall cease to be valid as effective mandates or instructions.
- 5. Subject to the Conditions under the section headed “CONDITIONS OF THE PROPOSAL” in the Explanatory Statement having been fulfilled or waived, as applicable, this Scheme shall become effective as soon as an office copy of the order of the Court sanctioning this Scheme (with or without modification) and confirming the reduction of the share capital of the Company provided for by this Scheme together with a minute and a return that comply with subsections (2) and (3) of section 230 of the Companies Ordinance shall have been delivered and registered by the Registrar of Companies in Hong Kong.
- 6. Unless this Scheme shall have become effective on or before the Long Stop Date, this Scheme shall lapse.
- 7. The Company and the Offeror may jointly consent for and on behalf of all parties concerned to any modification of or addition to this Scheme or to any condition which the Court may see fit to approve or impose.
- 8. Pursuant to Rule 2.3 of the Takeovers Code, 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. Given that the Proposal, the Scheme and/or the Share Award Offer (as the case may be) 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.

30 July 2021

HCMP No. 968/2021

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 968 OF 2021

IN THE MATTER OF

CHONG HING BANK LIMITED
創興銀行有限公司

AND

IN THE MATTER OF
THE COMPANIES ORDINANCE,
CHAPTER 622 OF THE LAWS OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

SCHEME OF ARRANGEMENT

Under Section 673 of the Companies Ordinance,
Chapter 622 of the Laws of the Hong Kong Special Administrative Region

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order (the “**Order**”) dated 22 July 2021 made in the above matters, the High Court of the Hong Kong Special Administrative Region (the “**Court**”) has directed that a meeting of the holders of Scheme Shares (as defined in the Scheme referred to below) be convened for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme**”) proposed to be made between Chong Hing Bank Limited (the “**Company**”) and the Scheme Shareholders (as defined in the Scheme) (the “**Meeting**”), and that the Meeting will be held at 13th, 27th and/or 28th Floor(s) (with registration taking place on 27th Floor), Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong on Monday, 30 August 2021 at 10:00 a.m. (Hong Kong time).

A copy of the Scheme and a copy of the explanatory statement (the “**Explanatory Statement**”) explaining the effect of the Scheme, required to be furnished pursuant to section 671 of the abovementioned Ordinance, are incorporated in the composite scheme document

dated 30 July 2021 of which this notice forms part (the “**Scheme Document**”), which has been despatched by post to the shareholders of the Company with registered addresses in Hong Kong and by courier to the shareholders of the Company with registered addresses outside Hong Kong. A copy of the Scheme Document can also be obtained by any person entitled to attend the Meeting during usual business hours on any day prior to the day appointed for the said meeting (other than a Saturday, a Sunday or a public holiday in Hong Kong) (a) at the share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong and (b) at the office of the Company’s legal adviser at 14th Floor, One Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong. The Scheme Document is also available at www.chbank.com.

In compliance with the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), shares of the Company held by the Offeror and parties acting in concert (as defined in the Takeovers Code) with it may not be voted at the Meeting. Only shares of the Company held by the other holders of Scheme Shares as at the Meeting Record Date (as defined in the Scheme) are eligible for voting thereat.

The holders of the Scheme Shares as at the Meeting Record Date may vote in person at the Meeting or they may appoint another person, whether a member of the Company or not, as their proxy to attend and vote in their stead. A **pink** proxy form for use at the Meeting is enclosed with the Scheme Document.

Where there are joint registered holders of any shares of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such shares of the Company as if he/she were solely entitled thereto, but if more than one of such joint registered holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares of the Company shall alone be entitled to vote in respect thereof.

It is requested that the form appointing proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company), be deposited at the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours (exclusive of any part of a day that is a public holiday, for the avoidance of doubt, Sunday is a public holiday) before the time appointed for holding the Meeting (i.e. on or before Friday, 27 August 2021 at 10:00 a.m. (Hong Kong time)) or any adjournment thereof. Proxy form sent electronically will not be accepted.

Completion and return of the proxy form will not preclude a holder of the Scheme Share(s) as at the Meeting Record Date from attending and voting in person at the Meeting or any adjournment thereof. In the event that a holder of the Scheme Share(s) attends and votes at the Meeting or any adjournment thereof after having lodged his/her/its proxy form, whether

by physical attendance or online attendance through the Online Platform in the case of the Overseas Registered Shareholders (as defined in the Scheme), his/her/its proxy form shall be deemed to be revoked by operation of law.

Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share(s) of the Company as if he/she were solely entitled thereto; but if more than one of such joint registered holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share(s) of the Company shall alone be entitled to vote in respect thereof.

For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Wednesday, 25 August 2021 to Monday, 30 August 2021, both days inclusive, and during such period, no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 24 August 2021.

In order to facilitate the prevention and control of the spread of the coronavirus disease (COVID-19) and to safeguard the health and safety of the holders of the Scheme Shares, the Company encourages the holders of the Scheme Shares as at the Meeting Record Date to consider appointing the chairman of the Meeting as his/her/its proxy to vote on the resolution at the Meeting as an alternative to attending the Meeting in person.

By the same Order, the Court has appointed Mr Yu Lup Fat Joseph, or failing him, Mr Chow Cheuk Yu Alfred, both being directors of the Company, to act as chairman of the Meeting and has directed the chairman of the Meeting to report the result thereof to the Court.

If approved at the Meeting, the Scheme will be subject to the subsequent sanction of the Court as set out in the Explanatory Statement contained in the Scheme Document.

Dated this 30th day of July 2021.

Baker & McKenzie

Solicitors for the Company

14th Floor, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

Note: HYBRID MEETING

The Meeting will be in the form of a hybrid meeting. In addition to the traditional physical attendance at the Meeting, the Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date (as defined in the scheme) have the option of attending, participating and voting in the Meeting through online access by visiting the website at <https://meetings.computershare.com/M9UAYXS> (the “**Online Platform**”). Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date participating in the Meeting using the Online Platform will also be counted towards the quorum and you will be able to cast your votes, and submit questions and comments relevant to the proposed resolution through the Online Platform. **Overseas Registered Shareholders choosing physical attendance at the Meeting should not access the Online Platform to exercise your voting rights and should use the physical voting papers provided thereat to cast your votes at the Meeting.**

Please note that the choice of physical attendance or online attendance through the Online Platform would not affect the right of the Overseas Registered Shareholders to appoint the Chairman of the Meeting, as your proxy to exercise your voting rights at the Meeting. However, in the event that you choose to attend the physical Meeting or use the Online Platform and vote at the Meeting after having lodged your proxy forms, the returned proxy forms shall be deemed to have been revoked by operation of law.

ATTENDING THE MEETING BY MEANS OF ELECTRONIC FACILITIES

Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date attending the Meeting using the Online Platform are expected to have a reliable and stable internet connection that can support video live streaming and be able to follow the Meeting proceedings in order to cast the votes attached to the Scheme Shares and submit questions online. If for any reasons the internet connection is lost or interrupted, it may affect the ability of the Overseas Registered Shareholders to follow the Meeting proceedings. Any missed contents as a result of connection issues relating to the Overseas Registered Shareholders will not be repeated. Each set of Overseas Registered Shareholder login details can be used on one electronic device (either smartphone, tablet device or computer) at a time only. If Overseas Registered Shareholders experience any technical difficulties or require assistance while using the Online Platform, please contact the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited (“**Computershare**”) at (852) 2862 8689 from 9:00 a.m. until the end of the Meeting (Hong Kong time) on the date of the Meeting. Please note that votes of the Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date on the proposed resolution at the Meeting cannot be recorded at, or taken by, Computershare’s service hotline. In the event that the Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date have any concerns or issues attending the physical Meeting or using the Online Platform, you are encouraged to appoint the Chairman of the Meeting as your proxy to exercise your voting rights at the Meeting.

The Online Platform will be open to Overseas Registered Shareholders holding the Scheme Shares as at the Meeting Record Date (see below for login details and arrangements) for login approximately 30 minutes prior to the scheduled commencement of the Meeting and can be accessed from any location with connection to the internet with a smartphone, tablet device or computer.

Our step-by-step “Online User Guide for the Court Meeting and the EGM to be held on Monday, 30 August 2021” can be found on “Shareholder Centre – General Meetings Information” under “Investor Relations” section on the Company’s website (<http://www.chbank.com/en/homepage.shtml>).

LOGIN DETAILS FOR OVERSEAS REGISTERED SHAREHOLDERS

Details regarding the arrangements of the Meeting, including login details for access to the Online Platform and online voting, are included in the Company’s notification letter to be despatched on Friday, 30 July 2021 to the Overseas Registered Shareholders as at the Latest Practicable Date (as defined in the Scheme).

Any person who becomes an Overseas Registered Shareholder after the Latest Practicable Date and who would like to have the option of attending, participating and voting in the Meeting using the Online Platform will need to contact Computershare for the login details to access the Online Platform and online voting no later than 4:30 p.m. on Wednesday, 25 August 2021 (Hong Kong time) using the contact details set out below.

Any person who ceases to be an Overseas Registered Shareholder after the Latest Practicable Date shall not use the login details for access to the Online Platform on the date of the Meeting and in any case, such login details will be deactivated after such person ceases to be an Overseas Registered Shareholder.

QUESTIONS RELATING TO THE ARRANGEMENTS OF THE HYBRID MEETING

For enquiries, please contact Computershare in person, by phone or online form, contact details of which are as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Website: www.computershare.com/hk/contact

If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above or post-super typhoon extreme conditions in force at or after 8:00 a.m. on Monday, 30 August 2021 and/or the Hong Kong Observatory has announced at or before 8:00 a.m. on Monday, 30 August 2021 that any of the above mentioned warnings is to be issued within the next two hours, the Meeting shall automatically be postponed to the next Business Day (as defined in the Scheme) on which no "black" rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted and no post-super typhoon extreme conditions are in force between the hours from 8:00 a.m. to 10:00 a.m. and in such case the Meeting shall be held at 10:00 a.m. on that Business Day at 13th, 27th and/or 28th Floor(s) (with registration taking place on 27th Floor), Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong. For the avoidance of doubt, the Meeting will be held as scheduled even when a tropical cyclone warning signal number 3 or below is hoisted or an amber or red rainstorm warning signal is in force. The Shareholders should make their own decision as to whether to attend the Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

As at the date of this notice, the board of directors of the Company comprises:

- *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.

Please also refer to the published version of this notice in the South China Morning Post from 30 July 2021 to 12 August 2021 (both days inclusive).



(Incorporated in Hong Kong with limited liability)

(Stock Code: 1111)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Chong Hing Bank Limited (the “**Company**”) will be held at 13th, 27th and/or 28th Floor(s) (with registration taking place on 27th Floor), Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong on Monday, 30 August 2021 at 10:30 a.m. (Hong Kong time) (or if later, on the same day and at the same place immediately after the meeting of the holders of Scheme Shares (as defined in the Scheme referred to below) convened at the direction of the High Court of the Hong Kong Special Administrative Region (the “**Court**”) for the same place and day (the “**Court Meeting**”) shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing with or without modification, the special resolution and the ordinary resolution set out below:

SPECIAL RESOLUTION

1. “**THAT AS A SPECIAL RESOLUTION:**

- (a) the proposed scheme of arrangement dated 30 July 2021 (the “**Scheme**”) between the Company and the Scheme Shareholders (as defined in the Scheme) in the form of the print contained in the composite scheme document dated 30 July 2021 (the “**Scheme Document**”), which has been produced to this Meeting and for the purposes of identification signed by the chairman of this Meeting, with any modification of or addition to it, or any condition, as may be approved or imposed by the Court, be and is hereby approved;
- (b) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme), the issued share capital of the Company be reduced by cancelling and extinguishing the Scheme Shares (as defined in the Scheme) in issue on the Scheme Record Date (as defined in the Scheme); and
- (c) the directors of the Company be and are hereby unconditionally authorised to do all such acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and the reduction of capital pursuant to the Scheme, including (without limitation) the giving of consent, on behalf of the Company, to any modification of or addition to, the Scheme or the reduction of capital, which the Court may see fit to impose.”

ORDINARY RESOLUTION

2. “THAT AS AN ORDINARY RESOLUTION:

- (a) subject to and forthwith upon the reduction of capital referred to in resolution 1(b) taking effect, the share capital of the Company be restored to its former amount by the issue by the Company to Yuexiu Financial Holdings Limited (the “**Offeror SPV Entity**”) of such number of new shares of the Company (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;
- (b) the Company shall apply the credit arising in its books of account as a result of the reduction of capital in paying up in full the new shares of the Company to be allotted and issued, credited as fully paid, to the Offeror SPV Entity, and the directors of the Company be and are hereby unconditionally authorised to allot and issue the same accordingly;
- (c) the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) be withdrawn, subject to the Scheme taking effect; and
- (d) the directors of the Company be and are hereby unconditionally authorised to do all such acts and things considered by them to be necessary or desirable in connection with the implementation of the Scheme and in relation to the proposed privatisation of the Company by the Offeror by way of the Scheme as a whole, including (without limitation) (i) the making of an application to the Stock Exchange for the withdrawal of the listing of the shares of the Company on the Stock Exchange, subject to the Scheme taking effect; and (ii) the allotment and issue of the shares of the Company referred to above.”

By Order of the Board
Chong Hing Bank Limited
Lai Wing Nga
Company Secretary

Hong Kong, 30 July 2021

Registered office:

Ground Floor
Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

Notes:

1. Unless otherwise defined in this notice or the context otherwise requires, terms defined in the Scheme Document shall have the same meanings when used in this notice.
2. The resolutions set out in this notice of the Meeting will be taken by poll pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and the Hong Kong Code on Takeovers and Mergers and the results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
3. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more persons, whether a member of the Company or not, as his/her/its proxy to attend, speak and vote instead of him/her/it. If more than one proxy is appointed, the number of shares of the Company in respect of which each such proxy is so appointed must be specified in the relevant proxy form.
4. Whether or not you intend to attend the Meeting in person, you are urged to complete and return the **white** proxy form in respect of the Meeting in accordance with the instructions printed thereon. Completion and return of the proxy form will not preclude you from attending the Meeting and voting in person if you so wish. In the event that you attend and vote in person at the Meeting after having lodged the proxy form, whether by physical attendance or online attendance through the Online Platform in the case of the Overseas Registered Shareholders (as defined in the Scheme), it will be deemed to have been revoked by operation of law.
5. In order to be valid, the form appointing proxy together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof (in the case of a corporation either under its common seal or under the hand of an attorney or a duly authorised officer on its behalf and to the satisfaction of the directors of the Company), must be deposited at the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours (exclusive of any part of a day that is a public holiday, for the avoidance of doubt, Sunday is a public holiday) before the time appointed for holding the Meeting (i.e. on or before Friday, 27 August 2021 at 10:30 a.m. (Hong Kong time)) or any adjournment thereof. Proxy form sent electronically will not be accepted.
6. Where there are joint registered holders of any share of the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share(s) of the Company as if he/she were solely entitled thereto; but if more than one of such joint registered holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first in the register of members of the Company in respect of such share(s) of the Company shall alone be entitled to vote in respect thereof.
7. For the purpose of determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from Wednesday, 25 August 2021 to Monday, 30 August 2021, both days inclusive, and during such period, no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the Meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. (Hong Kong time) on Tuesday, 24 August 2021.
8. In order to facilitate the prevention and control of the spread of the coronavirus disease (COVID-19) and to safeguard the health and safety of the shareholders of the Company, the Company encourages its shareholders to consider appointing the chairman of the Meeting as his/her/its proxy to vote on the relevant resolutions at the Meeting as an alternative to attending the Meeting in person.
9. **HYBRID MEETING**

The Meeting will be in the form of a hybrid meeting. In addition to the traditional physical attendance at the Meeting, the Overseas Registered Shareholders holding the Shares as at the Meeting Record Date (as defined in the Scheme) have the option of attending, participating and voting in the Meeting through online access by visiting the website at <https://meetings.computershare.com/MGJNZDC> (the “**Online Platform**”). Overseas Registered Shareholders holding the Shares as at the Meeting Record Date participating in the Meeting using the Online Platform will also be counted towards the quorum and you will be able to cast your votes, and

submit questions and comments relevant to the proposed resolutions through the Online Platform. **Overseas Registered Shareholders choosing physical attendance at the Meeting should not access the Online Platform to exercise your voting rights and should use the physical voting papers provided thereat to cast your votes at the Meeting.**

Please note that the choice of physical attendance or online attendance through the Online Platform would not affect the right of the Overseas Registered Shareholders to appoint the Chairman of the Meeting as your proxy to exercise your voting rights at the Meeting. However, in the event that you choose to attend the physical Meeting or use the Online Platform and vote at the Meeting after having lodged your proxy forms, the returned proxy forms shall be deemed to have been revoked by operation of law.

ATTENDING THE MEETING BY MEANS OF ELECTRONIC FACILITIES

Overseas Registered Shareholders holding the Shares as at the Meeting Record Date attending the Meeting using the Online Platform are expected to have a reliable and stable internet connection that can support video live streaming and be able to follow the Meeting proceedings in order to cast the votes attached to the Shares and submit questions online. If for any reasons the internet connection is lost or interrupted, it may affect the ability of the Overseas Registered Shareholders to follow the Meeting proceedings. Any missed contents as a result of connection issues relating to the Overseas Registered Shareholders will not be repeated. Each set of Overseas Registered Shareholder login details can be used on one electronic device (either smartphone, tablet device or computer) at a time only. If Overseas Registered Shareholders experience any technical difficulties or require assistance while using the Online Platform, please contact the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited ("**Computershare**") at (852) 2862 8689 from 9:00 a.m. until the end of the Meeting (Hong Kong time) on the date of the Meeting. Please note that votes of the Overseas Registered Shareholders holding the Shares as at the Meeting Record Date on the proposed resolutions at the Meeting cannot be recorded at, or taken by, Computershare's service hotline. In the event that the Overseas Registered Shareholders holding the Shares as at the Meeting Record Date have any concerns or issues attending the physical Meeting or using the Online Platform, you are encouraged to appoint the Chairman of the Meeting as your proxy to exercise your voting rights at the Meeting.

The Online Platform will be open to Overseas Registered Shareholders holding the Shares as at the Meeting Record Date (see below for login details and arrangements) for login approximately 30 minutes prior to the scheduled commencement of the Meeting and can be accessed from any location with connection to the internet with a smartphone, tablet device or computer.

Our step-by-step "Online User Guide for the Court Meeting and the EGM to be held on Monday, 30 August 2021" can be found on "Shareholder Centre – General Meetings Information" under "Investor Relations" section on the Company's website (<http://www.chbank.com/en/homepage.shtml>).

LOGIN DETAILS FOR OVERSEAS REGISTERED SHAREHOLDERS

Details regarding the arrangements of the Meeting, including login details for access to the Online Platform and online voting, are included in the Company's notification letter to be despatched on Friday, 30 July 2021 to the Overseas Registered Shareholders as at the Latest Practicable Date (as defined in the Scheme).

Any person who becomes an Overseas Registered Shareholder after the Latest Practicable Date and who would like to have the option of attending, participating and voting in the Meeting using the Online Platform will need to contact Computershare for the login details to access the Online Platform and online voting no later than 4:30 p.m. on Wednesday, 25 August 2021 (Hong Kong time) using the contact details set out below.

Any person who ceases to be an Overseas Registered Shareholder after the Latest Practicable Date shall not use the login details for access to the Online Platform on the date of the Meeting and in any case, such login details will be deactivated after such person ceases to be an Overseas Registered Shareholder.

QUESTIONS RELATING TO THE ARRANGEMENTS OF THE HYBRID MEETING

For enquiries, please contact Computershare in person, by phone or online form, contact details of which are as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
Telephone: (852) 2862 8555
Website: www.computershare.com/hk/contact

10. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above or post-super typhoon extreme conditions in force at or after 8:00 a.m. on Monday, 30 August 2021 and/or the Hong Kong Observatory has announced at or before 8:00 a.m. on Monday, 30 August 2021 that any of the above mentioned warnings is to be issued within the next two hours, the Meeting shall automatically be postponed to the next Business Day (as defined in the Scheme) on which no "black" rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted and no post-super typhoon extreme conditions are in force between the hours from 8:00 a.m. to 10:00 a.m. and in such case the Meeting shall be held at 10:30 a.m. on that Business Day (or if later, on the same day and at the same place immediately after the Court Meeting shall have been concluded or adjourned) at 13th, 27th and/or 28th Floor(s) (with registration taking place on 27th Floor), Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong. For the avoidance of doubt, the Meeting will be held as scheduled even when a tropical cyclone warning signal number 3 or below is hoisted or an amber or red rainstorm warning signal is in force. Shareholders should make their own decision as to whether to attend the Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.
11. In case of any inconsistency, the English version of this notice shall prevail.

As at the date of this notice, the board of directors of the Company comprises:

- *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 following is a form of the Share Award Offer Letter being sent to each holder of Outstanding Share Awards in connection with the Share Award Offer.

30 July 2021

To the holders of Outstanding Share Awards

Dear Sir or Madam

**SHARE AWARD OFFER
IN RELATION TO THE
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**

A scheme document dated the same date as this letter issued jointly by the Offeror and the Company (the “**Scheme Document**”) and a form of acceptance are provided to you together with this letter. Terms used but not defined in this letter shall have the same meanings as in the Scheme Document. This letter should be read in conjunction with the Scheme Document.

The Offeror and the Company jointly announced in an announcement dated 18 May 2021 (the “**Announcement**”) that, on 18 May 2021, the Offeror requested the Board to 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, which involves the cancellation and extinguishment of Scheme Shares in issue on the Scheme Record Date at a Cancellation Price of HK\$20.80 (less the Dividend Adjustment (if any)) in cash for each such Scheme Share cancelled and extinguished.

As stated in the Announcement, pursuant to Rule 13 of the Takeovers Code, the Offeror is making the Share Award Offer to each Outstanding Share Award Holder to cancel all his/her Outstanding Share Award(s) held by him/her as at the Scheme Record Date in exchange for the payment by the Offeror to such Outstanding Share Award Holder of the Share Award Offer Price (as defined below) in cash for each such Outstanding Share Award cancelled. The Share Award Offer is conditional upon the Scheme becoming effective.

Each Outstanding Share Award Holder at the Scheme Record Date who accepts the Share Award Offer and completes and returns a duly completed and executed Form of Acceptance by the prescribed deadline in accordance with the terms of this letter will be entitled to receive the Share Award Offer Price for each Outstanding Share Award, which 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 such Outstanding Share Award Holder on a staggered basis within

seven (7) business days (as defined in the Takeovers Code) following the vesting date of the relevant Outstanding Share Award(s) which is determined in accordance with the existing vesting schedule of the Outstanding Share Award(s) held by such Outstanding Share Award Holder as at the Scheme 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) held as at the Scheme Record Date.

WARNING: 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 held as at the Scheme 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.

This letter explains the terms of the Share Award Offer and the actions you may take in relation to any Outstanding Share Awards held by you. You are advised to refer to the Scheme Document for further details when considering the Share Award Offer.

Your attention is also drawn to the rules of the Share Award Scheme, including the relevant vesting and other conditions as set out in the rules of the Share Award Scheme.

TERMS OF THE SHARE AWARD OFFER

The Offeror is making the Share Award Offer to pay you, 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, the amount as set out below (the “**Share Award Offer Price**”) for the cancellation of each Outstanding Share Award that you hold as at the Scheme Record Date, which is expected to be 23 September 2021 (or such other date as shall be confirmed and announced by the Offeror and the Company upon the Court hearing of the petition for the sanction of the Scheme).

For each Outstanding Share Award HK\$20.80 (less the Dividend Adjustment (if any))

In consideration for our agreement to pay you the Share Award Offer Price set out above, your Outstanding Share Award(s) as at the Scheme Record Date will be cancelled following the closing date of the Share Award Offer, which is expected to be 11 October 2021 (or such other date as shall have been announced by the Offeror and the Company).

Under the rules of the Share Award Scheme, the vesting of the Outstanding Share Awards will not be accelerated if the Proposal is approved and implemented. In accordance with the existing vesting schedule of the Outstanding Share Award(s), none of the Outstanding Share Award(s) held by you will become vested on or before the Effective Date in accordance with the rules of the Share Award Scheme.

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) held as at the Scheme Record Date. As disclosed in the Scheme Document, 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 following the Effective Date, the Shares will no longer be listed on the Stock Exchange with effect therefrom. 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.

Conditions of the Share Award Offer

The Share Award Offer is conditional upon the Scheme becoming effective. The Share Award Offer will become unconditional immediately upon the Scheme becoming effective, which will be prior to the withdrawal of the listing of the Shares on the Stock Exchange.

The Conditions of the Proposal and the Scheme are set out in “CONDITIONS OF THE PROPOSAL” in the Explanatory Statement on pages 81 to 85 in the Scheme Document. You are further advised to refer to “REGISTRATION AND PAYMENT” and “OVERSEAS HOLDERS OF SCHEME SHARES AND OVERSEAS HOLDERS OF OUTSTANDING SHARE AWARDS” in the Explanatory Statement on pages 96 to 99 and pages 100 to 104, respectively, in the Scheme Document.

Payments under the Share Award Offer

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 within seven (7) business days (as defined in the Takeovers Code) following the vesting date of the relevant Outstanding Share Award(s) which is determined in accordance with the existing vesting schedule of the Outstanding Share Award(s) held by such Outstanding Share Award Holder as at the Scheme Record Date.

Each Outstanding Share Award Holder at the Scheme Record Date who accepts the Share Award Offer and completes and returns a duly completed and executed Form of Acceptance by the prescribed deadline in accordance with the terms of this letter will be entitled to receive the Share Award Offer Price for each Outstanding Share Award. 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) held as at the Scheme Record Date.

If the Share Award Offer becomes unconditional, the cash consideration under the Share Award Offer due to the Outstanding Share Award Holders who accept the Share Award Offer in accordance with the terms of the Share Award Offer will be held by the Offeror in a separate account and will be retained in such account pending payment to the Outstanding Share Award Holders as and when the payments are due. Such payments will be made to the Outstanding Share Award Holders within seven (7) business days (as defined in the Takeovers Code) following the vesting date of the relevant Outstanding Share Award(s) which is determined in accordance with the existing vesting schedule of the Outstanding Share Award(s) held by such Outstanding Share Award Holder as at the Scheme Record Date. The vesting schedule for your Outstanding Share Award(s) is set out in the notice of grant relating to your Outstanding Share Award(s). The Share Award Offer Price will be paid net of any applicable taxes. Your entitlement to the Share Award Offer Price under the Share Award Offer will continue to be subject to 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.

Payment of the Share Award Offer Price under the Share Award Offer will be made either by way of (a) electronic bank transfer into a bank account as customarily used by you to receive compensation from the Group, or (b) posting of a cheque. Payment will be made in Hong Kong dollars. You should inform the Human Resources Division of the Company of your preferred method of payment no later than two weeks prior to the vesting date of your Outstanding Share Award(s). All transfer fees (if applicable) will be deducted from the Share Award Offer Price under the Share Award Offer accordingly.

In the case of posting of cheque, (a) the cheques shall be sent by ordinary post in postage pre-paid envelopes addressed to you at the respective registered addresses as appearing in the register of share award holders of the Company as at the Scheme Record Date, (b) all cheques shall be posted at your risk and none of the Offeror, the Offeror Concert Parties, the Company, CICC, CLSA, Yue Xiu Capital, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal or the Share Award Offer will be responsible for any loss or delay in physical delivery, and (c) on or after the day being six calendar months after the posting of the cheques, the Offeror shall have the right to cancel or countermand payment of any such cheque which has not been cashed or has been returned uncashed, and shall place all monies represented thereby in a deposit account in the Offeror's name with a licensed bank in Hong Kong selected by the Offeror.

The Offeror shall hold such monies until the expiry of six years from the Effective Date and shall prior to such date, make payments therefrom of the sums payable under the Share Award Offer and to the Outstanding Share Award Holders who satisfy the Offeror that they are respectively entitled thereto and the relevant cheques on which they are payees have not been cashed. Any payments made by the Offeror shall not include any interest accrued on the sums to which the respective persons are entitled to under the Share Award Offer. The Offeror shall exercise its absolute discretion in determining whether or not it is satisfied that any person is so entitled, and a certificate of the Offeror to the effect that any particular person is so entitled or not so entitled, as the case may be, shall be conclusive and binding upon all persons claiming an interest in the relevant monies.

On the expiry of six years from the Effective Date, the Offeror shall be released from any further obligation to make any payments under the Share Award Offer and the Offeror shall be absolutely entitled to the balance (if any) of the sums then standing to the credit of the deposit account referred to above, including accrued interest subject to any deduction required by law and expenses incurred.

COURSES OF ACTION AVAILABLE TO OUTSTANDING SHARE AWARD HOLDERS

Under the rules of the Share Award Scheme, the vesting of the Outstanding Share Awards will not be accelerated if the Proposal is approved and implemented. In accordance with the existing vesting schedule of the Outstanding Share Award(s), none of the Outstanding Share Award(s) held by you will become vested on or before the Effective Date in accordance with the rules of the Share Award Scheme.

The choices available to you in respect of your Outstanding Share Award(s) as at the Scheme Record Date are set out below.

(A) Accept the Share Award Offer

The Share Award Offer shall be in respect of each of the Outstanding Share Award that you hold as at the Scheme Record Date, which is expected to be 23 September 2021 (or such other date as shall be confirmed and announced upon the Court hearing of the petition for the sanction of the Scheme). You may choose to accept the Share Award Offer on the terms (including all declarations and undertakings) as set out in this letter and the enclosed Form of Acceptance, by ticking the “Accept” box on the Form of Acceptance and returning it in accordance with the instructions set out below. Such acceptance of the Share Award Offer will be in respect of each Outstanding Share Award that you hold as at the Scheme Record Date.

(B) Reject the Share Award Offer

If you choose to reject the Share Award Offer, please tick the “Reject” box on the enclosed Form of Acceptance and return it in accordance with the instructions set out below. Such rejection of the Share Award Offer will be in respect of each Outstanding Share Award that you hold as at the Scheme Record Date.

If you reject the Share Award Offer, as 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 and the Shares will no longer be listed on the Stock Exchange following the withdrawal of the listing of the Shares on the Stock Exchange, the Board will therefore exercise its discretion under the Share Award Scheme to terminate the Share Award Scheme and cancel any Share Awards which remain outstanding and which you hold 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.

If you reject the Share Award Offer, you will not receive any cash consideration under the Share Award Offer in respect of the Outstanding Share Award(s) which you hold as at the Scheme Record Date.

Following receipt of this letter, if you (a) choose to do nothing (including not returning a Form of Acceptance) or (b) fail to tick either an “Accept” or “Reject” box on a returned Form of Acceptance, and the Scheme becomes effective, you will be treated as if you had returned a duly completed and executed Form of Acceptance with the “Reject” box ticked in respect of each of the Outstanding Share Award that you hold as at the Scheme Record Date.

HOW TO RETURN THE FORM OF ACCEPTANCE

You should return the duly completed and executed Form of Acceptance to the Offeror at 26/F., Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong for the attention of the Offeror and marked “Chong Hing Bank Limited – Share Award Offer” **by no later than 4:00 p.m. on Monday, 11 October 2021 (or such other date and time as may be notified to you by or on behalf of the Offeror).**

Before returning the Form of Acceptance to the Offeror, please ensure that you have completed and signed the Form of Acceptance and that your signature has been witnessed.

No acknowledgment of receipt of the Form of Acceptance or any other document will be given.

OUTSTANDING SHARE AWARDS HELD

Information on the Outstanding Share Award(s) held by you can be obtained by contacting Ms Kammy Chan, Head of Rewards Team of the Company at HRRewards@chbank.com.

LAPSED SHARE AWARDS

Please note that nothing in this letter or the Scheme Document serves to extend the life of a Share Award which lapses, will lapse, or has already lapsed, under the terms of the Share Award Scheme. You cannot accept the Share Award Offer in respect of a Share Award which has lapsed or will have lapsed by the Scheme Record Date.

RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

Your attention is drawn to the letter from the Independent Board Committee to the Independent Scheme Shareholders and the holders of the Outstanding Share Awards set out in the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” on pages 38 and 39 in the Scheme Document, and the letter from Somerley Capital Limited, being the Independent Financial Adviser, to the Independent Board Committee set out in “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” on pages 40 to 73 in the Scheme Document, which contain the recommendation of the Independent Board Committee and of the Independent Financial Adviser, respectively, in respect of the Proposal, the Scheme and the Share Award Offer.

INDEPENDENT FINANCIAL ADVICE

The information provided in this letter is intended to give you factual details on which to base your decision as to the action you wish to take.

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

DECLARATION

By signing and returning the Form of Acceptance, you:

- (a) confirm that you have read, understood and agreed to the terms and conditions of the Share Award Offer (including without limitation those set out in the Scheme Document, this letter and the Form of Acceptance), and that you have received the Scheme Document, this letter and the Form of Acceptance;
- (b) confirm that all Outstanding Share Award(s) held by you in respect of which you accept the Share Award Offer are valid and subsisting, free from all liens, charges, mortgages and third party interests of any nature whatsoever;
- (c) confirm that all local laws and requirements applicable to the Share Award Offer have been complied with;
- (d) acknowledge that you cease to have any rights or obligations, and waive all rights and claims against any party (including the Offeror and the Company), in respect of all the Outstanding Share Award(s), and you agree that all rights and obligations under all Outstanding Share Award(s) held by you in respect of which you accept the Share Award Offer will be cancelled;
- (e) confirm that any acceptance of the Share Award Offer cannot be withdrawn or altered;

- (f) authorise the Company and the Offeror, jointly and severally, or any director or officer of the Company or the Offeror or any agent of such person to do all acts and things and to execute any document as may be necessary or desirable to give effect to or in consequence of your acceptance of the Share Award Offer, and you hereby undertake to execute any further assurance that may be required in respect of such acceptance (including consenting to the Company, the Board or the Offeror, as applicable, exercising its rights to amend the terms of your Outstanding Share Award(s) to enable such Outstanding Share Award(s) to be cancelled in exchange for the payment by the Offeror of the Share Award Offer Price for each such Outstanding Share Award); and
- (g) undertake to confirm and ratify any action properly or lawfully taken on your behalf by any attorney or agent appointed by or pursuant to this letter or the Form of Acceptance.

GENERAL

All communications, notices, Forms of Acceptance, cheques, certificates and other documents of any nature to be delivered by or sent to or from you will be delivered by or sent to or from you, or you designated agents, at your risk, and none of the Offeror, the Offeror Concert Parties, the Company, CICC, CLSA, Yue Xiu Capital, the Independent Financial Adviser, the Company's share registrar and transfer office and their respective ultimate beneficial owners, directors, officers, agents and associates and any other person involved in the Proposal or the Share Award Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result. This letter shall be taken as having been received by you within two (2) business days of its despatch.

The provisions set out in the Form of Acceptance form part of the terms of the Share Award Offer.

The Share Award Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

Due execution of the Form of Acceptance in respect of the Share Award Offer will constitute an authority to CICC, CLSA, the Offeror, any director of the Offeror or their respective agents to complete and execute any document on behalf of the accepting holders of the Outstanding Share Award(s), and to do any other act, that may be necessary or expedient for the purpose of cancelling all Outstanding Share Award(s) which are the subject of such acceptance.

The delivery of the Form of Acceptance, duly signed, may, if the Offeror determines it appropriate, be as effective as if it were duly completed and received notwithstanding that it is not completed or received strictly in accordance with the instructions set out in the Form of Acceptance and this letter, including the date specified for receipt.

By accepting the Share Award Offer, you irrevocably and at your own risk, elect to authorise the Offeror to send to you, or procure the sending to you of, the Share Award Offer Price to which you are entitled.

Any acceptance of the Share Award Offer and the receipt of the Share Award Offer Price may trigger taxes subject to withholding obligations of the Offeror. The Share Award Offer Price will be paid to you net of such applicable taxes, if any. All holders of Outstanding Share Award(s) are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Share Award Offer.

RESPONSIBILITY STATEMENTS

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

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

The Directors, jointly and severally accept full responsibility for the accuracy of the information contained in this letter (other than the information relating to the Offeror and the Offeror Concert Parties) and confirm, having made all reasonable enquiries, that, to the best of their knowledge, opinions expressed in this letter (other than those 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 letter, the omission of which would make any statement in this letter misleading.

Yours truly,

For and on behalf of

YUE XIU ENTERPRISES (HOLDINGS) LIMITED

Zhang Zhaoxing

Director