中国光大银行
CHINA EVERBRIGHT BANK

中國光大銀行股份有限公司
China Everbright Bank Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock code: 6818)

CONNECTED TRANSACTION

SUBSCRIPTION OF DOMESTIC PREFERENCE SHARES BY CONTROLLING SHAREHOLDER

The Board is pleased to announce that, on 31 October 2014, the Company entered into the Subscription Agreement with China Everbright (Group), pursuant to which, the Company has conditionally agreed to issue and China Everbright (Group) has conditionally agreed to subscribe in cash for an aggregate of up to 10,000,000 Preference Shares at the subscription price of RMB100 per share, which is the par value of each Preference Share, with a total subscription price of up to RMB1,000,000,000.

Immediately after completion of the Subscription and assuming 10,000,000 Preference Shares are fully subscribed by China Everbright (Group), China Everbright (Group) and its associates will, as ultimate beneficial owner, hold in aggregate 2,057,280,034 ordinary Shares and 10,000,000 Preference Shares, representing approximately 4.41% and 0.02%, respectively, of the then enlarged total issued Shares of the Company.

Assuming 10,000,000 Preference Shares are subscribed by China Everbright (Group), the total proceeds of the Subscription will be approximately RMB1,000,000,000, which is intended to be used to replenish the Tier-1 capital base of the Company.

As at 30 September 2014, China Everbright (Group) directly held 2,057,280,034 shares of the Company, representing approximately 4.41% of the total issued share capital of the Company. Due to the Proposed Restructuring, China Everbright (Group) is deemed as a controlling shareholder of the Company. Since China Everbright (Group) is the controlling shareholder of the Company, and hence a connected person of the Company, the Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The proposal relating to the Subscription will be proposed by way of a special resolution at the EGM for the Independent Shareholders to approve. As required by the Hong Kong Listing Rules, China Everbright (Group) will abstain from voting on the resolution to be proposed at the EGM for approving the Subscription.

An independent Board committee (comprising all the independent non-executive Directors) has, in accordance with the Hong Kong Listing Rules, been formed to advise the Independent Shareholders on the Subscription and the Subscription Agreement. In this connection, an independent financial adviser will be appointed with the approval of the independent Board committee to advise such committee and the Independent Shareholders on the Subscription and the Subscription Agreement. For details of such advice, please refer to the circular to be published by the Company in due course.

A circular containing, among others: (i) details of the Subscription and the Subscription Agreement, (ii) a letter of recommendation from the independent Board committee to the Independent Shareholders on the Subscription and the Subscription Agreement, and (iii) a letter of advice by an independent financial adviser to the independent Board committee and the Independent Shareholders on the Subscription and the Subscription Agreement will be despatched by the Company on or before 8 December 2014, according to Rule 19A.39A of the Hong Kong Listing Rules and the PRC Company Law.

The Shareholders and potential investors should be aware that the proposed Subscription of Preference Shares is subject to the conditions precedent set out in this announcement, and consequently the proposed Subscription may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the H Shares of the Company.

I. SUBSCRIPTION OF DOMESTIC PREFERENCE SHARES BY CHINA EVERBRIGHT (GROUP)

The Board is pleased to announce that, on 31 October 2014, the Company entered into the Subscription Agreement with China Everbright (Group), pursuant to which, the Company has conditionally agreed to issue and China Everbright (Group) has conditionally agreed to subscribe in cash for an aggregate of up to 10,000,000 Preference Shares at the subscription price of RMB100 per share, which is the par value of each Preference Share, with a total subscription price of up to RMB1,000,000,000.

Immediately after completion of the Subscription and assuming 10,000,000 Preference Shares are fully subscribed by China Everbright (Group), China Everbright (Group) and its associates will, as ultimate beneficial owner, hold in aggregate 2,057,280,034 Ordinary Shares and 10,000,000 Preference Shares, representing approximately 4.41% and 0.02%, respectively, of the then enlarged total issued Shares of the Company.

1. SUBSCRIPTION AGREEMENT

Parties

(1) The Company (as the issuer); and

(2) China Everbright (Group) (as the subscriber).

Number of Preference Shares subscribed for

Under the Subscription Agreement, China Everbright (Group) will subscribe for an aggregate of up to 10,000,000 domestic Preference Shares (the exact amount of Preference Shares to be subscribed for will separately be agreed and determined by China Everbright (Group) and the Company but in any event shall not exceed the amount as approved by competent regulatory authorities). Such Preference Shares, if fully subscribed, represent approximately 0.02% of the existing issued share capital of the Company as at the date of this announcement.

The Preference Shares will be issued by the Company pursuant to and as part of the Preference Shares Issuance Plan.

Subscription price

As part of the Preference Shares Issuance and according to the Preference Shares Issuance Plan, the Preference Shares will be issued at their par value, i.e. RMB100, and therefore the subscription price is RMB100 per share.

The subscription price of RMB100 will, pursuant to the terms of the Subscription Agreement, be paid in cash in one lump sum into the bank account as designated by the Company when the Company issues the Preference Shares to China Everbright (Group) after the Subscription Agreement becomes unconditional.

Conditions precedent to the Subscription

The Subscription is conditional upon:

(1) Board and Shareholders of the Company duly approving the Preference Shares Issuance Plan and the Subscription Agreement according to applicable laws and regulations;

(2) the relevant governmental and regulatory authorities approving the Subscription; and

(3) CBRC approving the Preference Shares Issuance Plan; and

(4) CSRC approving the Preference Shares Issuance Plan.

Termination of the Subscription Agreement

The Subscription Agreement shall automatically be terminated when one or more events below occur:

(1) The parties enter into a written agreement to terminate the Subscription Agreement;

(2) The Preference Shares Issuance is terminated by the Company;

(3) The approval to be granted by CSRC expires as the Company fails to complete the Preference Shares Issuance within the validity period prescribed by CSRC; and

(4) the Company fails to complete the Preference Shares Issuance within the validity period prescribed in the shareholders' resolution approving the Preference Shares Issuance Plan.

No application for listing of the Preference Shares

The Company will not apply for the listing on the Shanghai Stock Exchange of the Preference Shares to be subscribed by China Everbright (Group) under the Subscription Agreement.

The Shareholders and potential investors should be aware that the proposed Subscription of Preference Shares is subject to the conditions precedent set out in this announcement, and consequently the proposed Subscription may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the H Shares of the Company.

2. TERMS AND CONDITIONS OF PREFERNCE SHARES

As at the date hereof, the Company does not have a class of Preference shares. On 31 October 2014, the Board approved a plan to create a new class of Preference Shares with rights and obligations different from the existing class of ordinary shares of the Company. The Preference Shares Issuance Plan is subject to, among other things, the shareholders' approvals of the Company. Accordingly, the completion of the subscription by China Everbright (Group) under the Subscription Agreement is conditional upon the approval of the Preference Shares Issuance Plan at the EGM.

The details of terms and conditions of the Preference Shares to be subscribed by China Everbright (Group) under the Subscription Agreement, as part of the Preference Shares Issuance, are the same as the terms and conditions of the Preference Shares Issuance Plan, which are set out in the Appendix to this announcement.

3. SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at 30 September 2014 and immediately after completion of the Subscription (assuming 10,000,000 Preference Shares are fully subscribed by China Everbright (Group)) is as follows:

Shareholders	**As at 30 September 2014**		**Immediately after completion of the Subscription (assuming 10,000,000 Preference Shares are fully subscribed)**	
	Number of Shares	**Approximate percentage of the total issued shares of the Company**	**Number of Shares**	**Approximate percentage of the then enlarged total issued shares of the Company**
Huijin	19,250,916,094 A Shares	41.24%	19,250,916,094 A Shares	41.23%
China Everbright (Group)	2,057,280,034 A Shares	4.41%	2,057,280,034 A Shares	4.41%
			10,000,000 Preference Shares	0.02%
China Reinsurance	954,836,367 A Shares	2.05%	954,836,367 A Shares	2.04%
Public (A Shares and H Shares)	24,416,062,505	52.30%	24,416,062,505	52.30%
Total	46,679,095,000	100%	46,689,095,000	100%

Note: The figures above are provided assuming that: (i) a total of 10,000,000 Preference Shares to be issued under the Subscription Agreement are fully subscribed for by China Everbright (Group); and (ii) no other Shares would be issued or transferred after 30 September 2014 until the completion of the Subscription.

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

According to the Preference Shares Issuance Plan, holders of Preference Shares issued under the Preference Share Issuance generally will not have voting right as the holders of the ordinary shares of the Company, while the voting right of holders of the Preference Shares can be restored in certain circumstances under the Preference Share Issuance Plan (please refer to the Appendix to this announcement for further details). Assuming the full restoration of voting right in respect of the 10,000,000 Preference Shares under the Subscription and no other Preference Share is issued under the Preference Shares Issuance, China Everbright (Group) will be entitled to exercise approximately 5.15% of the total voting rights of the enlarged share capital of the Company. Assuming the full restoration of voting right in respect of the 10,000,000 Preference Shares under the Subscription and all the Preference Shares under the Preference Shares Issuance have been issued (i.e. 300 million Preference Shares), China Everbright (Group) will be entitled to exercise approximately 4.20% of the total voting rights of the enlarged share capital of the Company.

4. REASONS AND BENEFITS FOR THE SUBSCRIPTION

To meet with the increasingly stricter regulatory requirements, the Company proposes to issue the Preference Shares to further promote its capital adequacy ratio in order to better tackle the fast changes and challenges at home and abroad and to bring about better return to all the shareholders of the Company while realizing a sound development of business operation of the Company. Participation by China Everbright (Group), as one of the major shareholders of the Company, in the Preference Shares Issuance will demonstrate its solid confidence in the prospect of the Company.

The capital adequacy of the Company will be further enhanced after the Preference Shares Issuance, which is beneficial for enhancing the ability to resist various risks and ensuring healthy development of the Company's businesses. The subscription by China Everbright (Group) of Preference Shares issued by the Company would facilitate the smooth implementation of RMB30 billion Preference Shares Issuance.

The terms and conditions of the Subscription are agreed after arm’s length negotiations between the parties. Considering all these factors, the Directors (excluding the relevant independent non-executive Directors who will express their view upon the rendering of advice by the independent financial adviser) are of the view that the terms and conditions of the Subscription, including the subscription price, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. RECENT FUND RAISING ACTIVITIES AND USE OF PROCEEDS

The Company conducted the global offering and was successfully listed on the main board of Hong Kong Stock Exchange on December 20, 2013. The offer price of H shares was HK$3.98/share. 5,842,000,000 H shares were initially issued with the proceeds amounting to HK$23.251 billion. On January 12, 2014, the Company partially exercised the over-allotment option, and issued additional 402,305,000 H shares. The total proceeds increased to HK$24.852 billion. The Company intended to use the net proceeds from the global offering to supplement its core capital base, to increase capital adequacy, to strengthen its ability to resist risks as well as to strengthen its profitability and to support growth of its business. After deduction of relevant listing expenses, all other net proceeds were used to replenish core capitals, improve the capital adequacy ratio and support business development.

Save for the above, the Company has not conducted any fund raising activities through any issue of equity securities within the 12 months immediately prior to the date of this announcement.

Assuming 10,000,000 Preference Shares are subscribed by China Everbright (Group), the total proceeds of the Subscription will be approximately RMB1,000,000,000, which is intended to be used to replenish the Tier-1 capital base of the Company.

6. LISTING RULES IMPLICATIONS

As at 30 September 2014, China Everbright (Group) directly held 2,057,280,034 shares of the Company, representing approximately 4.41 of the total issued share capital of the Company. Due to the Proposed Restructuring, China Everbright (Group) was deemed as a controlling shareholder of the Company. Since China Everbright (Group) is the controlling shareholder of the Company, and hence a connected person of the Company, the Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The proposal relating to the Subscription will be proposed by way of a special resolution at the EGM for the Independent Shareholders to approve. As required by the Hong Kong Listing Rules, China Everbright (Group), will abstain from voting on the resolution to be proposed at the EGM for approving the Subscription.

The proposal in relation to the Subscription was considered and approved by the Board on 31 October 2014. Tang Shuangning and Zhao Huan have abstained from voting on the Board resolutions approving the transactions contemplated under the Subscription Agreement. Save as mentioned above, none of the other Directors has material interest in the Subscription and hence no other Director has abstained from voting on such Board resolutions.

An independent Board committee (comprising all the independent non-executive Directors) has, in accordance with the Hong Kong Listing Rules, been formed to advise the Independent Shareholders on whether the terms of the Subscription and the Subscription Agreement are fair and reasonable, whether they are on normal commercial terms or better and in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of an independent financial adviser. In this connection, an independent financial adviser will be appointed with the approval of the independent Board committee to advise such committee and the Independent Shareholders on the Subscription and the Subscription Agreement. For details of such advice, please refer to the circular to be published by the Company in due course.

A circular containing, among others: (i) details of the Subscription and the Subscription Agreement, (ii) a letter of recommendation from the independent Board committee to the Independent Shareholders on the Subscription and the Subscription Agreement, and (iii) a letter of advice by an independent financial adviser to the independent Board committee and the Independent Shareholders on the Subscription and the Subscription Agreement will be despatched by the Company on or before 8 December 2014, according to Rule 19A.39A of the Hong Kong Listing Rules and the PRC Company Law.

II. INFORMATION ON THE PARTIES

Information relating to the Company

The Company was incorporated as a joint stock company with limited liability in the PRC and is one of the major commercial banks in the PRC, and primarily engages in the commercial banking business, including retail banking, corporate banking and treasury operation, etc.

Information relating to China Everbright (Group)

China Everbright (Group) is a wholly state-owned company established on November 12, 1990 whose registered capital was wholly contributed by the Ministry of Finance of the PRC. It is a financial holding group which mainly engages in investment and management of banks, securities companies, insurance companies and other financial enterprises.

III. DEFINITIONS

Unless the context requires otherwise, capitalized terms used in this announcement shall have the meanings as follow:

"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules;

"Board"	means the board of directors of the Company;
"CBRC"	means China Banking Regulatory Commission (中國銀行業監督管理委員會);
"China Everbright (Group)"	China Everbright (Group) Corporation (中國光大(集團)總公司), a company incorporated under the laws of the PRC on November 12, 1990 and a controlling shareholder of the Company;
"Company"	China Everbright Bank Company Limited (中國光大銀行股份有限公司), a joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the HongKong Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818), respectively;
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules;
"controlling shareholder"	has the meaning ascribed to it under the Hong Kong Listing Rules;
"CSRC"	means China Securities Regulatory Commission (中國證券監督管理委員會);
"Directors"	means the directors of the Company;
"EGM"	means the extraordinary general meeting of the Company to be convened to consider and to approve, among other things, the Subscription;
"H Shares"	means the overseas listed foreign shares in the ordinary share capital of the Company, with a par value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Listing Rules"	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Hong Kong Stock Exchange"	means The Stock Exchange of Hong Kong Limited;

"Huijin"	means Central Huijin Investment Ltd. (中央匯金投資有限責任公司);
"Independent Shareholders"	means all Shareholders other than China Everbright (Group) and its associates;
"PRC"	means the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Preference Shares"	means the preference shares to be allotted and issued by the Company, with a par value of RMB100 each, pursuant to the Preference Shares Issuance Plan;
"Preference Shares Issuance"	the issuance of Preference Shares by the Company according to the Preference Shares Issuance Plan;
"Preference Shares Issuance Plan"	the issue plan of Preference Shares of the Company, the details of which are contained in the announcement of the Company dated 31 October 2014;
"Proposed Restructuring"	certain proposed restructuring arrangements in relation to Huijin's shareholding in the Company, as defined and disclosed in more details in the prospectus of the Company dated 10 December 2013 in relation to its global offering and listing on the Hong Kong Stock Exchange
"RMB"	means Renminbi, the lawful currency of the PRC;
"Shareholder(s)"	means the shareholders of the Company;
"Subscription"	means the proposed subscription of Preference Shares by China Everbright (Group) pursuant to the Subscription Agreement;

"Subscription Agreement"	means the conditional subscription agreement entered into between China Everbright (Group) and the Company on 31 October 2014, under which, China Everbright (Group) agrees to subscribe for, and the Company agrees to issue, up to 10,000,000 Preference Shares at the subscription price of RMB100 per share;
"%"	means per cent.

APPENDIX:

For the purpose of this Appendix and for the avoidance of doubt, the definitions as set out below in this Appendix do not apply to the main body of this announcement.

PROPOSAL FOR THE DOMESTIC NON-PUBLIC ISSUANCE OF PREFERENCE SHARES*

IMPORTANT NOTICE

1. The domestic non-public issuance of Preference Shares was considered and approved at the Board meeting of the Bank held on 31 October 2014. Pursuant to relevant provisions, the Proposal in relation to the Issuance is subject to the consideration and approval on an item by item basis by the shareholders' general meeting, A shareholders' class meeting and H shareholders' class meeting of the Bank respectively, and is subject to approval of relevant regulatory authorities such as CBRC and CSRC.

2. Number of Preference Shares to be issued and use of proceeds: The aggregate number of the Preference Shares proposed to be issued shall not exceed 300 million shares and the aggregate amount of proceeds shall not exceed RMB30 billion, with the specific amount within the above limits to be determined by the Board subject to the authorisation of the shareholders' general meeting to be sought (which authorisation can be further delegated), and the proceeds will be fully used for replenishment of the Bank's additional tier 1 capital after deducting the expenses of the issuance.

3. Par value and issue price: The Preference Shares will have a par value of RMB100 per share and will be issued at par value.

4. Method of issuance: The Preference Shares will be issued by non-public placement in one tranche or in multiple tranches according to relevant procedures upon approval by the regulatory authorities. Except for coupon rates, the terms of Preference Shares issued in different tranches are identical, and obtaining separate approval from holders of Preference Shares already issued by the Bank is not required for each issuance.

5. Subscribers of issuance: Subscribers of the Preference Shares under the issuance shall be qualified investors in compliance with the requirements of the Experimental Administrative Measures on Preference Shares, and subscribers in each tranche shall not exceed 200 in number. In addition, the aggregate number of all subscribers of Preference Shares with the same terms and conditions shall not exceed 200.

---

* This is an English translation of the orginal version in Chinese. In the case of any discrepancy between the two versions, the Chinese version shall prevail.

Everbright Group, a shareholder of the Bank, intends to subscribe for not more than 10,000,000 shares of the Preference Shares to be issued by the Bank for a subscription amount not exceeding RMB1 billion. Everbright Group undertakes not to participate in the inquiry process for the coupon rate of the Preference Shares to be issued, and accepts the coupon rate finalized by the Bank in accordance with the procedures and requirements stipulated by CSRC and other competent authorities. In addition to Everbright Group, the Board shall determine the subscribers pursuant to the authorisation at a shareholders' general meeting (which authorisation can be further delegated) as well as the relevant rules of CSRC and the offering rules of the domestic market.

The Preference Shares shall be issued on a commission basis. All the Preference Shares shall be subscribed in cash.

6. The coupon rate for the Preference Shares may be readjusted at different intervals. This means that the dividend rate may either remain unchanged for the term of the Preference Shares, or there will be dividend readjustment periods and the dividend rate will be fixed for a certain period after the start date for calculating dividends of the corresponding tranche of Preference Shares and will be readjusted once after each specified period thereafter. The coupon rate for the Preference Shares will not be higher than the average return on weighted average net assets of the Bank for the last two financial years.

7. The Preference Shares contain the following special terms:

   (1) voting rights of the Preference Shares are subject to restrictions. Generally, the holders of the Preference Shares do not have voting rights, except for the extraordinary circumstances stated in the Proposal;

   (2) terms of restoration of voting rights apply to the Preference Shares. Under circumstances where voting rights are restored, the holders of the Preference Shares are entitled to the rights to vote together with ordinary shareholders;

   (3) the dividends of the Preference Shares are non-accumulative;

   (4) duration of the Preference Shares is perpetual. If approved by the CBRC and relevant requirements have been satisfied, the Bank has the right to exercise redemption right to redeem the Preference Shares, whether in whole or in part from the starting date of the redemption period, while the Bank does not provide the right for investors to sell back their Preference Shares;

   (5) in accordance with relevant regulations of CBRC, the Preference Shares will be converted into ordinary A shares mandatorily upon occurrence of trigger events for mandatory conversion; the initial mandatory conversion price will be equal to the average trading price of the A shares of the Bank for the 20 trading days preceding the date of publication of the Board resolution in respect of the issuance plan of the Preference Shares, and will

be cumulatively adjusted according to circumstances such as stock dividends, capital conversion or increase, issuance of new shares at a price lower than the market price (excluding any increase in the share capital as a result of the conversion of financial instruments issued by the Bank that are convertible into Ordinary Shares) and share placement of the Bank's ordinary A shares, while the distribution of ordinary cash dividends by the Bank will not result in an adjustment to the mandatory conversion price;

(6) if the Bank has distributable after-tax profit after making up for previous years' losses, contributing to the statutory reserve and making general provision, the Bank may distribute dividends to the holders of the Preference Shares, who have priority in dividend distribution over holders of Ordinary Shares, provided that the Bank ensures that the Capital Adequacy Ratio meets the requirements of the regulatory rules. Distribution of dividends to the holders of the Preference Shares will not be affected by rating of the Bank and will not be adjusted as a result of any change to such rating;

(7) in accordance with requirements of the CBRC, under all circumstances, the Bank shall have the right to cancel dividend payments to holders of the Preference Shares after being considered and approved by the shareholders' general meeting, and this will not constitute an event of default. The Bank will fully consider the rights and interests of holders of Preference Shares when exercising the above-mentioned rights.

8. No change will be made to the Bank's controlling shareholders and de facto controllers as a result of the Issuance.

9. In addition to this Issuance of Preference Share in the PRC, the Bank does not rule out any possibility of replenishing its capital by equity financing and other ways within the next twelve months in accordance with regulatory requirements, business operations and capital adequacy ratio, etc. As at the date of the announcement of this Proposal, the Bank did not have other equity-based financing plans other than Issuance of the Preference Share in accordance with the Bank's capital plan.

DEFINITIONS

In the Proposal for non-public issuance of Preference Shares, unless the context specifies otherwise, the following terms shall be defined as set forth below:

"Bank"/"Company"/"Issuer"/ "CEB"	:	China Everbright Bank Company Limited
"Proposal"	:	the Proposal for the Domestic Non-public Issuance of Preference Shares by China Everbright Bank Company Limited considered and approved at the Board meeting held by the Issuer on 31 October 2014

"Everbright Group"	:	China Everbright (Group) Corporation, which intends to be restructured and be renamed as China Everbright Group Corporation
"Issuance"/"the Preference Shares"/"Issuance of the Preference Shares"	:	the non-public issuance of domestic preference shares considered and approved at the Board meeting held by the Issuer on 31 October 2014
"Capital Rules"	:	the Capital Rules for Commercial Banks (Provisional) issued by the CBRC, effective from 1 January 2013
"Articles" or "Articles of Association"	:	the revised Articles of Association of China Everbright Bank Company Limited considered and approved at the Board meeting held by the Bank on 31 October 2014
"Date of Publication of the Board Resolution"	:	date of publication of the board resolution made at the Board meeting held by the Bank on 31 October 2014
"Core Tier-1 Capital Adequacy Ratio"	:	as provided by the Capital Rules, the ratio between core tier-1 capital held by commercial banks that satisfies the said regulations and risk-weighted assets held by commercial banks
"Tier-1 Capital Adequacy Ratio"	:	as provided by the Capital Rules, the ratio between tier-1 capital held by commercial banks that satisfies the said regulations and risk-weighted assets held by commercial banks
"Capital Adequacy Ratio"	:	as provided by the Capital Rules, the ratio between capital held by commercial banks that satisfies the said regulations and risk-weighted assets held by commercial banks
"Ordinary A shares"	:	Renminbi ordinary shares listed domestically, such shares are subscribed and traded in Renminbi
"Ordinary Shares"	:	Ordinary A shares and ordinary shares of the domestically registered company which are denominated in Hong Kong dollar and listed in Hong Kong (ordinary H shares)
"Basel Committee"	:	Basel Committee on Banking Supervision
"Basel III"	:	the Third Installment of Basel Accords promulgated in December 2010 by the Basel Committee

"State Council"	:	the State Council of the People's Republic of China
"MOF"	:	the Ministry of Finance of the People's Republic of China
"CBRC"	:	China Banking Regulatory Commission and its regional offices
"CSRC"	:	China Securities Regulatory Commission and its regional offices
"Huijin"	:	Central Huijin Investment Company Limited
"SSE"	:	Shanghai Stock Exchange
"RMB"	:	Renminbi Yuan

Unless otherwise specified, all financial data contained in the Proposal are from the Bank's consolidated financial statements.

SECTION I PURPOSE OF THE ISSUANCE OF PREFERENCE SHARES

1. Meeting increased capital requirements imposed by the banking regulatory authorities

Under the backdrop of continuous adjustment of the global economy, domestic and foreign regulatory authorities have strengthened regulation of the Capital Adequacy Ratio of banks. CBRC drew reference from Basel III formulated by the Basel Committee and issued the Capital Rules, which became effective on 1 January 2013, to step up regulations on capital adequacy ratios, capital quality, capital management and capital replenishment mechanisms of banks in the PRC. Pursuant to the Capital Rules, in addition to maintaining its capital adequacy ratio at not lower than 10.5% to meet the minimum regulatory requirement, the Bank may also be required to comply with other capital requirements, including the conservation capital requirement buffer of 0% to 2.5%.

On 27 June 2014, the Board of Directors of the Bank considered and approved the Report on Capital Management and Capital Planning of China Everbright Bank Company Limited. The Bank has estimated the needs for capital replenishment for 2015-2018 on the basis of the macroeconomy, the operations of the Bank and future development planning. To ensure meeting regulatory requirements, the Bank intends to issue preference shares to replenish tier-1 capital.

2. Need for ensuring the sustainable and stable development of the Bank

The Bank has embarked on another strategic planning period since 2013. During the planning period, the reform on financial industry will be further deepened as national economy enters a new growth cycle. As the banking regulatory reform and liberalization of interest rates are progressing, the capital issue is increasingly becoming a core issue in the operations of banks. Against the backdrop of the macroeconomic policy for "maintaining steady growth and adjusting structure", the Chinese banking sector continues to shoulder the major responsibility for sustaining stable development of the real economy. Since it is necessary to maintain a stable and reasonable rate of growth in credit supply in the future, risk-weighted assets will continue to grow as a result, which will lead to some capital consumption and ongoing pressure on capital replenishment. Therefore, the Bank will continue to enhance the capital replenishment mechanisms and improve capital quality and capital adequacy ratios so as to cater to the development of the industry, strengthen the capital management capability and facilitate implementation of strategic transformation; as well as to strengthen the capability for sustainable development and serve the real economy.

3. Constantly optimizing the capital structure of the Bank

The Bank always remains committed to the core philosophy for capital saving, paid-use of capital and maximization of return after risk adjustment, and abides by the capital replenishment strategy aimed at "focusing on internal resources supplemented by external resources". The level of return on capital is raised by expanding the core debts and increasing capital gains. A reasonable and stable dividend payout policy is formulated to step up internal resource-based capital replenishment, while progressively carrying out external capital replenishment at different levels. Pursuant to Basel III, the Capital Rules classify the capital levels of commercial banks into Common Equity Tier 1 ("CET 1") capital, Additional Tier-1 capital and Tier-2 capital. Currently, the capital structure of the Bank is suboptimal as it consists mainly of CET 1 capital and Tier-2 capital and lacks Additional Tier-1 capital, resulting in relatively higher capital cost. The Issuance of Preference Shares will effectively replenish the capital of the Bank while optimizing its capital structure, and thus enhancing the Company's value, and lay a solid foundation for the realization of the strategic goals of the Bank.

SECTION II PROPOSAL FOR THE ISSUANCE OF PREFERENCE SHARES

In accordance with the relevant requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the State Council Guiding Opinion on the Experimental Development of the Preference Shares, the Experimental Administrative Measures on Preference Shares, the Capital Rules and the Guiding Opinion on the Issuance of Preference Shares by Commercial Banks to Replenish Tier 1 Capital as well as other laws, regulations and regulatory documents, the Bank has satisfied the requirements for the issuance of Preference Shares, and intends to issue Preference Shares with a total amount not exceeding RMB30 billion in the PRC for capital replenishment. Details of the proposal for the Issuance of Preference Shares by the Bank are as follows:

1. Type of Preference Shares to be issued

The type of Preference Shares to be issued by the Bank is Preference Shares that are issued by way of non-public offering in the domestic market and meet the relevant requirements under the State Council Guiding Opinion on the Experimental Development of the Preference Shares, the Experimental Administrative Measures on Preference Shares, the Capital Rules and the Guiding Opinion on the Issuance of Preference Shares by Commercial Banks to Replenish Tier 1 Capital as well as other laws, regulations and regulatory documents.

2. Number of Preference Shares to be issued and issuance size

The aggregate number of Preference Shares to be issued shall not exceed 300 million shares, with an aggregate amount of proceeds not exceeding RMB30 billion. The actual size of the Issuance shall be proposed to be determined by the Board within the above limit, subject to authorisation of the shareholders' general meeting (which authorisation can be further delegated).

3. Par value and issuance price

The par value (i.e. nominal value) of the Preference Shares shall be RMB100 per share. The Preference Shares shall be issued at their par value.

4. Method of issuance

The Preference Shares shall be issued by way of non-public offering in one tranche or in multiple tranches in accordance with relevant procedures upon approval by regulatory authorities. If the Preference Shares are issued in different tranches, other terms shall remain the same except the coupon rate, and obtaining separate approval from holders of Preference Shares is not required for each issuance.

Details about the method of issuance shall be proposed to be determined by the Board together with the sponsor (lead underwriter) following consultations, subject to authorisation at a shareholders' general meeting (which authorisation can be further delegated).

5. Duration

The duration of the Preference Shares under the Issuance is perpetual.

6. Target investors

The Preference Shares to be issued under this tranche shall be issued to the qualified investors as stipulated under the Experimental Administrative Measures on Preference Shares, and to not more than 200 target investors in each issuance, while the Preference Shares with the same terms shall be issued to not more than 200 target investors in aggregate.

Everbright Group, a shareholder of the Bank, intends to subscribe for not more than 10,000,000 shares of the Preference Shares to be issued by the Bank for a subscription amount not exceeding RMB1 billion. Everbright Group undertakes not to participate in the inquiry process for the coupon rate of the Preference Shares to be issued, and accepts the coupon rate finalized by the Bank in accordance with the procedures and requirements stipulated by CSRC and other competent authorities. Apart from Everbright Group, subscribers shall be determined by the Board in accordance with the relevant rules of CSRC and listing rules in the domestic market, subject to authorisation at a shareholders' general meeting (which authorisation can be further delegated).

The Bank and the connected parties which are controlled by the Bank or have a major impact shall not purchase the Preference Shares, and the Bank shall not provide financing, whether directly or indirectly, for the purchase of the Preference Shares.

The Preference Shares shall be issued on a commission basis. All subscribers shall subscribe for the Preference Shares in cash.

7. Lock-up period

There shall be no lock-up period for the Preference Shares.

8. Terms for distribution of dividends

(1) Coupon rate and principles for determining it

The coupon rate for the Preference Shares may be readjusted at different intervals. This means the same coupon rate may be applied or a coupon rate readjustment period may be set during the duration of the Preference Shares, in which the same coupon rate shall be applied for a certain period after the start date for calculating dividends of the relevant tranche of Preference Shares and shall be readjusted once after each specified period thereafter (such coupon rate shall be determined by means of the sum of the benchmark rate and the fixed premium. The benchmark rate shall be the yield of Chinese treasury bonds for a specified compensation period published in certain number of trading days preceding the pricing date of the relevant tranche of Preference Shares or the date of readjustment of the benchmark rate. The fixed premium shall be the difference between the coupon rate for that tranche of Preference Shares at the time of issuance and the benchmark rate at the pricing date, and shall remain unchanged during the duration of the Preference Shares).

The coupon rate for the relevant tranche of Preference Shares at the time of issuance shall be determined by the Bank based on price inquiry in the market or in other manners approved by the regulatory authorities. The actual coupon rate shall be proposed to be determined by the Board together with the sponsors (lead underwriters) based on various factors at the time of issuance, such as Chinese policies, market conditions, the actual circumstances of the Bank and investor demand, subject to authorisation at a shareholders' general meeting (which authorisation can be further delegated).

The coupon rate for the Preference Shares shall not be higher than the annual average return on weighted average equity of the Bank for the last two financial years[1].

(2) Conditions for distribution of dividends

(i) If the Bank has distributable after-tax profit[2] after making up for previous years' losses, contributing to the statutory reserve and making general provision according to the law, the Bank may pay dividends to preference shareholders pursuant to the Articles of Association, provided the Capital Adequacy Ratio of the Bank meets the regulatory requirements. The Preference Shares shall take priority over the Ordinary Shares in terms of dividend distribution. Payment of dividends for Preference Shares shall not be linked with the Bank's own rating or be adjusted as a result of any change to such rating.

(ii) Under any circumstances, the Bank shall have the right to cancel dividend payments for the Preference Shares upon the consideration and approval at a shareholders' general meeting, and such cancellation shall not constitute an event of default. The Bank may, at its discretion, use any income so cancelled to repay other debts that are due. The cancellation of any dividend payment for Preference Shares shall not constitute any other restrictions on the Bank other than the restriction on the payment of dividends for Ordinary Shares. The Bank shall take the rights and interests of preference shareholders into full account when exercising the aforesaid rights. The Bank shall notify holders of Preference Shares at least ten working days prior to a dividend payment date of its decision to cancel the payment of dividends for all or partial Preference Shares.

(iii) Declaration and payment of dividends for all Preference Shares by the Bank shall be decided by the Board pursuant to authorization at a shareholders' general meeting. Cancellation of the declaration of dividends for all or partial Preference Shares shall be subject to consideration and approval at a shareholders' general meeting. If the Bank cancels all or part of the distribution of dividends for Preference Shares, the

1. *As determined in accordance with the Rules for Preparation of Information Disclosure by Companies Offering Securities to the Public No. 9 — Calculation and Disclosure of Return on Equity and Earnings Per Share (as amended in 2010), and calculated based on the return attributable to the holders of Ordinary Shares of the Bank.*

2. *Distributable after-tax profits are sourced from the undistributed profit as shown in the financial statements of the parent company prepared in accordance with Chinese Accounting Standards or International Financial Reporting Standards, whichever amount is lower.*

Bank shall not make any distribution of dividends to the holders of Ordinary Shares before it fully declares to pay the agreed dividends for the Preference Shares for the relevant period.

(3) Method of dividend payment

Dividends for the Preference Shares shall be payable in cash calculated based on the aggregate par value of the Preference Shares under the relevant tranche that have been then issued by the Bank and outstanding. Dividends for the Preference Shares shall be paid annually. The start date for calculating dividends shall be the due date for the subscription payments for the issuance of Preference Shares under the relevant tranche. The dividend payment date shall be the anniversary date of the last day of receiving subscription payment for the issuance of the relevant tranche of Preference Shares. If any dividend distribution date falls on a statutory festival, a holiday or a rest day, it shall be postponed to the next working day.

Taxes payable on the dividend income of preference shareholders shall be borne by such preference shareholders in accordance with relevant laws and regulations.

(4) Dividend accumulation

The dividends for the Preference Shares shall be paid on a non-cumulative basis, which means the dividends not paid to preference shareholders in full shall not be accumulated to the following dividend year.

(5) Distribution of remaining profits

After the holders of the Preference Shares participate in dividend distribution at the prescribed coupon rate, they shall not be involved in any distribution of remaining profits together with holders of Ordinary Shares.

9. Terms for mandatory conversion

(1) Trigger conditions for mandatory conversion

(i) Upon the occurrence of an additional tier-1 capital trigger event (i.e. the Core Tier-1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the Preference Shares that have been then issued by the Bank and outstanding into A Shares based on the aggregate par value of such Preference Shares without the approval of the preference shareholders in order to restore the Core Tier-1 Capital Adequacy Ratio of the Bank to above 5.125%. In case of partial conversion, the Preference Shares shall be converted at the same ratio under the same terms and conditions. Upon conversion of the Preference Shares into A Shares, such A Shares shall not be converted back to Preference Shares in any event.

(ii) Upon the occurrence of a trigger event of tier 2 capital tool, the Bank shall have the right to convert all the then issued and outstanding Preference Shares into A Shares based on the aggregate par value of such Preference Shares without the approval of the preference shareholders. Upon conversion of the Preference Shares into A Shares, such A shares shall not be converted back to Preference Shares in any event. In particular, a trigger event of tier 2 capital tool shall refer to the earlier occurrence of either of the following:

(a) the CBRC has determined that the Bank shall not be able to continue to exist if no conversion or write-down is carried out; or

(b) the relevant authorities have determined that the Bank shall not be able to continue to exist if the public departments do not provide a capital injection from the public sector or other support with a comparable effect.

Upon the occurrence of the above trigger events, the Bank shall report to the CBRC for vetting and approval, and shall perform the obligations for information disclosure such as making extraordinary reports or announcements in accordance with the Securities Laws of the People's Republic of China and the relevant regulations of the CSRC.

(2) Mandatory conversion price and determination principles

The average trading price of the A Shares of the Bank for the 20 trading days preceding the Date of Publication of the Board Resolution in which the proposal for the issuance of the Preference Shares is considered and approved shall be used as the initial mandatory conversion price for the Preference Shares.

The average trading price of the A Shares of the Bank for the 20 preceding trading days = total trading amount of A Shares of the Bank for such 20 preceding trading days/total trading volume of A Shares for such 20 trading days, i.e. RMB2.72 per share.

(3) Ratio and amount of mandatory conversion, and the determination principles

Upon the mandatory conversion of the Preference Shares, the formula for determining the number of shares to be converted shall be: $Q = V/P$. Any fractional shares during the mandatory conversion of the Preference Shares shall be dealt with by the Bank in accordance with relevant regulatory rules.

In the above formula: "Q" denotes the number of A Shares that shall be converted from the Preference Shares held by each preference shareholder; "V" denotes the aggregate par value of the Preference Shares held by each preference shareholder for the mandatory conversion as determined under the principle that the losses shall be absorbed in equal proportion by the Preference Shares; and "P" denotes the mandatory conversion price for the Preference Shares.

Upon the occurrence of a trigger event, all or part (as determined in accordance with the principle that the losses shall be absorbed in equal proportion) of the Preference Shares then issued and outstanding shall be converted into corresponding number of A Shares based on the above formula.

(4) Mandatory conversion period

The period for mandatory conversion of the Preference Shares shall commence on the first trading day immediately following the completion date of the issuance of the relevant tranche of Preference Shares and end on the date of redemption or conversion of all the Preference Shares.

(5) Method for adjustment of the mandatory conversion price

Upon the occurrence of certain events relating to the A Shares of the Bank (e.g. issuance of stock dividends, capital conversion or increase, issuance of new A Shares at a price lower than the market price (excluding any increase in the share capital as a result of the conversion of financial instruments issued by the Bank that are convertible into Ordinary Shares) and placement) after the date of the Board's approval of the proposal for the issuance of the Preference Shares, the mandatory conversions price shall be subject to cumulative adjustments in the same order of the occurrences of such events. The distribution of cash dividends for Ordinary Shares shall not result in any adjustment to the mandatory conversion price. Details about the adjustment method shall be as follows:

Issuance of stock dividends or capital conversion or increase: $P1 = P0 \times N/(N + n)$;

Issuance of new A Shares at a price lower than the market price or placement: $P1 = P0 \times (N + k)/(N + n)$; $k = n \times A/M$;

In the above formulae, "P0" denotes the effective mandatory conversion price before adjustment; "N" denotes the total number of the ordinary share capital of the Bank before the stock dividends issuance, capital conversion or increase, issuance or placement of new A Shares; "n" denotes the number of new shares as a result of the stock dividends issuance, capital conversion or increase, issuance or placement of new A Shares; "A" denotes the subscription price for the issuance or placement of the new A Shares; "M" denotes the closing price of new A Shares on the trading day immediately preceding the date of announcement regarding the issuance or placement of new A Shares (i.e. the announcement containing the effective and irrevocable terms for the issuance or placement of new A Shares); and "P1" denotes the effective mandatory conversion price after adjustment.

In the event that the rights and interests of the holders of the Preference Shares may be affected by the changes in the share class, number of shares and shareholders' interests of the Bank due to write-off of any redeemed shares, merger or demerger or any other circumstances in respect of the Bank, the Bank shall, for the purpose of anti-dilution, adjust the mandatory conversion price based on the actual circumstances and in accordance with the principle of fairness, justice and equity as well as the principle of maintaining full protection of and balance between the interests of the preference shareholders and the holders of Ordinary Shares. The adjustment mechanism for the mandatory conversion price in those circumstances shall be determined in accordance with the relevant regulations.

(6) Attribution of dividends for Ordinary Shares in the year of mandatory conversion

The additional A Shares to be issued as a result of the mandatory conversion of the Preference Shares shall rank pari passu with the existing issued A Shares in terms of interests, and all the holders of Ordinary Shares (including holders of Ordinary A Shares arising from mandatory conversion of the Preference Shares) whose names appear on the register of members of the Bank on the record date for dividend attribution of Ordinary Shares shall be entitled to dividend distribution for the relevant period.

10. Terms for optional redemption

(1) Holders of the right of redemption

The right of redemption for the Preference Shares shall be owned by the Bank. The Bank shall exercise the conditional right of redemption, subject to prior approval by the CBRC. Preference shareholders shall have no right to require the Bank to redeem Preference Shares, and shall not form any expectations that the right of redemption of the Preference Shares shall be exercised. No sell-back terms for investors shall be set for the Preference Shares, and preference shareholders have no right to sell back to the Bank the Preference Shares held by them.

(2) Redemption conditions and timing

Subject to the prior approval of the CBRC and the satisfaction of the relevant requirements, the Bank shall have the right to redeem all or part of the Preference Shares on any redeemable day after the fifth year following the completion date of the issuance of the Preference Shares. The specific commencement date of the redemption period shall be determined by the Board in line with market conditions, subject to authorisation at a shareholders' general meeting (which authorisation can be further delegated). The redemption period for the Preference Shares shall commence on such commencement date of the redemption period and end on the completion date of the redemption or conversion of all the Preference Shares. Where redemption is in part, the Preference Shares shall be redeemed based on the same proportion and the same conditions.

The exercise by the Bank of the right to redeem the Preference Shares shall be subject to the satisfaction of the following requirements:

(i) the Bank replaces the redeemed Preference Shares with capital tools of the same or better quality, and the replacement of the capital tools is effected only on conditions that the earning capacity of the Bank is sustainable; or

(ii) the Bank's capital level remains to be significantly higher than the regulatory capital requirements of the CBRC upon exercise of the right of redemption.

(3) Redemption price and pricing principle

The redemption price of the Preference Shares shall be an amount to be paid in cash equal to the par value plus the dividend declared but unpaid for the relevant period.

11. Restrictions on voting rights

Under normal circumstances, the Preference Shares shall not entitle preference shareholders to convene, attend or vote at any shareholders' general meetings of the Bank. The holders of the Preference Shares shall be entitled to attend shareholders' general meetings and vote on the following matters together with holders of Ordinary Shares at a separate class meeting. Each Preference Share held thereby shall be entitled to one vote. However, the Bank shall have no voting right for the Preference Shares issued and held thereby:

(1) amendments to the Articles of Association of the Bank in relation to Preference Shares;

(2) reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate);

(3) merger, demerger, dissolution or change of the corporate form of the Bank;

(4) issuance of Preference Shares; and

(5) other events specified in the Articles of Association that will change or abrogate the rights of preference shareholders.

Resolutions on the aforesaid matters shall be adopted by more than two-thirds (2/3) of votes held by the holders of Ordinary Shares present at a meeting (including preference shareholders with voting rights restored) and by more than two-thirds (2/3) of votes held by the preference shareholders (excluding preference shareholders with voting rights restored) present at the meeting.

12. Restoration of voting rights

(1) Terms for restoration of voting rights

During the duration of the Preference Shares, if the Bank fails to pay the agreed dividends for the Preference Shares for three financial years in aggregate or for two consecutive financial years, commencing on the date immediately following the date on which the proposal not to distribute the agreed dividends for that year was approved at a shareholders' general meeting, the holders of the Preference Shares shall have the right to attend and vote at a shareholders' general meeting and jointly vote with the holders of Ordinary Shares. The formula for calculating the voting rights of Ordinary Shares entitled to Preference Shares with voting rights restored shall be as follows:

$R = W/S$. Any fractional voting right restored shall be rounded down to the nearest integer.

In the above formula: "R" denotes the share of a voting right in respect of A Shares restored from the Preference Shares held by each preference shareholder; "W" denotes the par value of the Preference Shares held by each preference shareholder; and the initial conversion price "S" denotes the average trading price of A Shares of the Bank 20 trading days prior to the Date of Publication of the Board Resolution in which the proposal for the issuance of the Preference Shares was considered and approved.

Average trading price of A Shares of the Bank for the 20 preceding trading days = total trading amount of A Shares of the Bank for such 20 preceding trading days/total trading volume of A Shares for such 20 preceding trading days, i.e. RMB2.72 per share.

(2) Method for adjusting the conversion price upon restoration of voting rights

Upon the occurrence of certain events relating to the A Shares of the Bank (e.g. issuance of stock dividends, capital conversion or increase, issuance of new A Shares at a price lower than the market price (excluding any increase in the share capital as a result of the conversion of financial instruments issued by the Bank that are convertible into Ordinary Shares) and placement) after the date of the Board's approval of the proposal for the issuance of the Preference Shares, the conversion price at the time of restoration of voting rights shall be subject to cumulative adjustments in the same order of the occurrence of such events. The distribution of cash dividends for Ordinary Shares shall not result in any adjustment to the conversion price at the time of restoration of voting rights. Details about the adjustment method shall be as follows:

Issuance of stock dividends or capital conversion or increase: S1 = S0 x N/(N + n);

Issuance of new A Shares at a price lower than the market price or placement: S1 = S0 x (N + k)/ (N + n); k = n x A/M;

In the above formulae, "S0" denotes the conversion price before adjustment; "N" denotes the total ordinary share capital of the Bank before the stock dividends issuance, capital conversion or increase, issuance or placement of new A Shares; "n" denotes the number of new shares as a result of the stock dividends issuance, capital conversion or increase, issuance or placement of new A Shares; "A" denotes the price for the issuance or placement of the new A Shares; "M" denotes the closing price of A shares on the trading day immediately preceding the date of announcement regarding the issuance or placement of new A Shares (i.e. the announcement containing the effective and irrevocable terms for the issuance or placement of new A Shares); and "S1" denotes the conversion price after adjustment.

In the event that the rights and interests of the holders of the Preference Shares may be affected by the change in the share class, number of shares and shareholders' interests of the Bank due to write-off of any redeemed shares, merger or demerger or any other circumstances in respect of the Bank, the Bank shall, for the purpose of anti-dilution, adjust the conversion price at the time of restoration of voting rights based on the actual circumstances and in accordance with the principle of fairness, justice and equity as well as the principle of maintaining full protection of and balance between the interests of the holders of Preference Shares and the holders of Ordinary Shares. The adjustment mechanism for the conversion price in those circumstances shall be determined in accordance with the relevant regulations.

(3) Cancellation of the restored voting rights

Upon restoration of voting rights and full payment of the dividends for Preference Shares for that year, the voting rights granted to preference shareholders in accordance with the terms for restoration of voting rights shall be cancelled commencing on the date of full payment of such dividends. If the terms for the restoration of voting rights are triggered again subsequently, the voting rights of preference shareholders may be restored again.

13. Sequence of settlement and method of liquidation

Holders of the Preference Shares to be issued shall rank pari passu, in terms of distribution priority, after depositors, ordinary creditors, holders of convertible bonds, holders of subordinated debt, holders of Tier 2 capital bonds and holders of other Tier 2 capital instruments, and ahead of the holders of Ordinary Shares of the Bank.

When the Bank is undergoing liquidation, settlement shall be made in the following order and manner:

(1) payment of liquidation expenses;

(2) payment of the salaries, social insurance premiums and statutory compensation of the employees of the Bank;

(3) payment of principal and interest for individual deposits;

(4) payment of outstanding taxes;

(5) settlement of other debts of the Bank;

(6) upon settlement for the remaining assets pursuant to the preceding paragraphs, the residual assets of the Bank shall be distributed according to the class of shares held by shareholders and their respective percentage of shareholdings. The holders of the Preference Shares to be issued shall rank pari passu with the holders of Preference Shares which may be issued by the Bank in the future in terms of distribution priority, all ahead of the holders of Ordinary Shares in the distribution of remaining assets. The preference shareholders shall be entitled to a settlement amount equal to the sum of the aggregate par value of the Preference Shares then issued and outstanding plus any declared but unpaid dividends. If the remaining assets are not sufficient for full payment, holders of Preference Shares shall be indemnified in proportion to shareholding.

14. Rating arrangements

The specific rating arrangements for the Preference Shares shall be determined in line with the domestic market conditions and in accordance with the relevant PRC laws and regulations.

15. Guarantee Arrangement

No guarantee arrangements shall be made for the Preference Shares.

16. Use of proceeds

Subject to the approval by the CBRC, the proceeds from the Issuance of the Preference Shares, after deduction of the expenses relating to the issuance, shall be used for replenishment of the Bank's additional tier-1 capital.

17. Transfer arrangements

The Preference Shares to be issued shall be transferred on the SSE, while the eligibility of the investors participating in the transfer shall meet the relevant rules of the CSRC.

18. The effective period for the resolution on the Issuance of Preference Shares

The resolution on the Issuance of the Preference Shares shall be valid for 36 months from the date of considering and approving such resolution at a shareholders' general meeting.

19. Matters relating to authorisation

(1) Authorisation in connection with the Issuance of the Preference Shares

To ensure smooth implementation of the Issuance of the Preference Shares, the Bank hereby proposes to a shareholders' general meeting to authorise the Board, and the Board shall then delegate the authority to the Chairman, Vice-Chairman and President of the Bank to handle all matters relating to the Issuance of the Preference Shares at their sole discretion jointly or individually under the framework and principles as considered and approved by the shareholders' general meeting and within the validity period of the Preference Shares. Details and scope of such authority shall include but not limited to those set out below:

(i) to formulate and implement the final proposal for the Issuance of the Preference Shares prior to the Issuance, including but not limited to the determination of the specific number of shares to be issued (the aggregate number of Preference Shares shall not exceed 300 million shares, with an aggregate amount of proceeds not exceeding RMB30 billion), method of issuance, method of coupon rate pricing and actual coupon rate, timing of issuance, target investors, rating arrangements, special account for proceeds and all other matters relating to the proposal;

(ii) to modify the Proposal accordingly in case of any new Chinese regulations for Preference Shares, new policy requirements of relevant regulatory authorities or changes in market conditions prior to the issuance, other than those matters that must be re-voted at a shareholders' general meeting as required under relevant laws, regulations and the Bank's Articles of Association.

(iii) to amend, produce, execute and file the reporting materials and issuance/transfer documents relating to the issuance or transfer, and to handle matters in relation thereto;

(iv) to amend, execute, submit, perform and publish all contracts, agreements and documents (including but not limited to sponsorship and underwriting agreements, agreements and schemes relating to the proceeds, subscription contracts entered into with investors, announcements, circulars and other disclosure documents, etc.) relating to the Issuance of the Preference Shares;

(v) to amend the terms of the Articles of Association of the Bank relating to the Issuance of the Preference Shares in a timely fashion based on the comments of the regulatory authorities and the final status of the implementation of the Issuance of the Preference Shares, and to deal with the matters relating to the registration or filing with the administration for industry and commerce if necessary, as well as the listing of the Preference Shares; and

(vi) to engage sponsors, underwriters, lawyers, auditors and other intermediaries relating to the Issuance, and handle other matters relating to the Issuance.

(2) Authorisation in connection with matters during the duration of the Preference Shares

During the duration of the Preference Shares, the Bank shall propose a shareholders' general meeting to authorise the Board to exercise full power to handle the following matters under the framework and principles as considered and approved thereat:

(i) to handle all matters with full power relating to the conversion of the Preference Shares according to relevant legal requirements and market conditions upon occurrence of a trigger event for mandatory conversion of the Preference Shares, including but not limited to the determination of the timing of conversion, conversion ratio and conversion procedures; the making of necessary amendments to the terms of the Articles of Association relating to the conversion; and the handling of various matters such as the completion of regulatory approval formalities and the making of changes in the registration of registered capital at the administration for industry and commerce;

(ii) to decide on matters relating to redemption in line with market conditions and other factors during the redemption period for the Preference Shares, and to handle all matters with full power relating to redemption as approved by the CBRC;

(iii) to declare and pay all dividends for the Preference Shares pursuant to the Proposal. However, the cancellation of all or part of the dividends payable for the Preference Shares shall still be subject to consideration and approval at a shareholders' general meeting; and

(iv) to implement measures to make up for the dilution of the return for the current period relating to the Issuance of the Preference Shares pursuant to the requirements of relevant laws, regulations and competent authorities.

SECTION III MAJOR RISKS ARISING FROM THE ISSUANCE OF PREFERENCE SHARES

In addition to daily information disclosure documents of the Bank and other information disclosed in the Proposal, risk factors that may have significant impact, directly or indirectly, on the existing holders of Ordinary Shares of the Bank are set out below:

1. Risk of reduction in dividends

If there is undistributed profit in the financial statements of the parent company after recovering losses and making allocations to its statutory common reserve fund and general reserve in accordance with laws, the Bank may distribute dividends to the holders of Preference Shares, provided that its Capital Adequacy Ratio meets regulatory requirements. The holders of Preference Shares shall take precedence over those of Ordinary Shares in respect of dividend distribution. In the event that the Bank cancels the distribution of all or part of the dividends on Preference Shares for certain financial year, the Bank shall not make any distribution of dividends on Ordinary Shares for the same financial year. Upon payment of dividends on Preference Shares, the holders of Ordinary Shares may be exposed to the risk of decreasing or nil distributable profit.

Assuming that the total amount of the Issuance of the Preference Shares does not exceed RMB30.0 billion with an annual coupon rate of no more than 6.5% (which is for illustrative purpose only, and does not represent the expected coupon rate for the Preference Shares), the annual payment of dividends on the Preference Shares shall not exceed RMB1.95 billion. With reference to the data in the 2013 annual report of the Bank, the net profit attributable to holders of Ordinary Shares of the Bank is no less than RMB24.7 billion after deducting dividends on Preference Shares as calculated above. Therefore, the decrease in net profit attributable to holders of Ordinary Shares of the Bank as a result of the distribution of dividends on Preference Shares will not exceed 7.30%.

2. Risk of dilution of interests

In accordance with the rules of relevant regulatory authorities, the Issuance of Preference Shares provides for voting rights restoration and mandatory conversion. In the event of mandatory conversion or the restoration of voting rights of holders of Preference Shares, the holders of Ordinary Shares of the Bank may be exposed to the risk of dilution of interests.

(1) Restoration of voting rights

The Issuance of Preference Shares provides for the restoration of voting rights. If the Bank fails to pay dividends to the holders of the Preference Shares as agreed for three financial years in aggregate or two consecutive financial years, the holders of the Preference Shares shall be granted the same right to attend and vote at shareholders' general meetings as ordinary shareholders from the date immediately following the day on which the shareholders' general meeting approves the profit distribution plan for the year which stipulates no payment of the agreed dividends will be made. The restored voting rights of each Preference Share shall be calculated pursuant to the formula set out in the issuance proposal.

In case the voting rights are being restored, based on the conversion price of RMB2.72 per share, which is equivalent to the average trading price of ordinary A Shares of the Bank for the 20 trading days preceding the Date of Publication of the Board Resolution in respect of the Proposal, and assuming that the maximum amount of the Preference Shares under the Issuance is RMB30.0 billion, the percentage of voting rights of ordinary shareholders of the Bank will be diluted to 80.89% upon the restoration of voting rights.

As at 30 June 2014, the shareholding of Huijin, the controlling shareholder of the Bank, was 41.24%. If the voting rights of the Preference Shares are restored in accordance with the assumptions mentioned above, and without taking into consideration the arrangements for the restructuring and reform of Everbright Group[3], Huijin will have 33.36% of the voting rights, remaining as the controlling shareholder of the Bank.

(2) Mandatory conversion

If mandatory conversion is triggered, the total number of Ordinary Shares of the Bank will increase, which will dilute the return on equity and earnings per share attributable to the ordinary shareholders to a certain extent. The number of shares to be converted shall be determined pursuant to the agreed formula set out in the Issuance Proposal.

As at 30 June 2014, the total number of outstanding Ordinary Shares of the Bank was 46,679,095,000. When mandatory conversion is triggered, the shareholding of the existing ordinary shareholders will be diluted. Based on the mandatory conversion price of RMB2.72 per share, which is equivalent to the average trading price of ordinary A Shares of the Bank for the 20 trading days preceding the Date of Publication of the Board Resolution in respect of the Proposal, and assuming that the maximum amount of the Preference Shares under the Issuance is RMB30.0 billion, upon full conversion of

3. *In accordance with the Indicative Announcement on the Approval for Proposal for Restructuring of China Everbright (Group) Corporation made by China Everbright Bank Company Limited, the capital contribution of Huijin will comprise of the 9 billion shares of the Company that it holds, its equity interest in China Everbright Industrial (Group) Company Ltd. and the principal and interest of the loans from the People's Bank of China.*

Preference Shares to Ordinary Shares, the Ordinary Shares of the Bank will increase to 57,708,506,764 shares, and the shareholding of existing ordinary shareholders will be diluted to 80.89%.

As at 30 June 2014, the shareholding of Huijin, the controlling shareholder of the Bank, was 41.24%. If the Preference Shares are converted in accordance with the assumptions mentioned above, and without taking into consideration the arrangement for the restructuring and reform of Everbright Group, Huijin will have 33.36% of shareholding, remaining as the controlling shareholder of the Bank.

3. Risk arising from ordinary shareholders' ranking in liquidation

The holders of Preference Shares rank senior to ordinary shareholders in terms of distribution of the remaining assets. In the event of liquidation arising from the dissolution or bankruptcy of the Bank, ordinary shareholders may be exposed to the risk of damages during the course of liquidation due to insufficient capital to be distributed to ordinary shareholders as a result of their lower ranking in the allocation of the remaining assets.

4. Risk of accounting and taxation

Pursuant to the provisions under the Accounting Standards for Business Enterprises No. 37 — Presentation of Financial Instruments, the International Accounting Standards 32 — Financial Instruments: Disclosure and Presentation and the Rules on Differentiating the Financial Liabilities and the Equity Instruments and Relevant Accounting Treatment, etc., the Issuance of the Preference Shares will be accounted for as equity instruments, which is the basis of all the financial calculations in the Proposal. If the Issuance of Preference Shares can no longer be accounted for as equity instruments due to amendment to relevant accounting policies, the accounting recognition of the Issuance of the Preference Shares may be affected.

Pursuant to the relevant and currently applicable regulations, the dividends on the Preference Shares, derived from the distributable after-tax profit of the Bank, shall not be deductible before income tax. However, the Bank cannot exclude the possibility of tax risks arising from the amendment to national tax policies on Preference Shares.

5. Risks of failure to obtain approval for the Proposal

The Issuance of the Preference Shares is subject to the consideration and approval of shareholders' general meeting, and A shareholders' class meeting and H shareholders' class meeting of the Bank, and there is possibility that the Proposal for the Issuance will not be approved by any of the shareholders' meetings. Meanwhile, the Issuance of the Preference Shares is also subject to the approvals of the CBRC, the CSRC and other regulatory authorities. There is uncertainty in whether the Issuance will be approved by the regulatory authorities and when the Issuance will be approved.

6. Other risks

The Bank is exposed to other risks such as country risk, competition risk, compliance risk and reputation risk during the course of business operations and development. In addition, the Bank cannot accurately predict other potential risks in relation to the Issuance and the operations of the Bank that are occasional, sudden, unpredictable and unpreventable in advance.

SECTION IV USE OF PROCEEDS RECEIVED FROM THE ISSUANCE OF PREFERENCE SHARES

1. Use of proceeds from the Issuance

Upon approval of the relevant regulatory authorities, the proceeds from the Issuance, after deducting administrative expenses, will be used in full to replenish the Additional Tier-1 capital of the Bank, improving the Tier-1 Capital Adequacy Ratio and optimizing capital structure.

2. Rationale of raising proceeds from the Issuance

Along with the reform on banking regulation and the interest rate liberalization, capital has become a core issue in the operation of banks. By adhering to the capital replenishment strategy of "relying mainly on internal capital replenishment while being supplemented with external capital replenishment" and actively promoting the construction of capital management system, the Bank has constantly strengthened its capital management since 2011, enhancing the return on capital through expanding core liabilities and increasing capital gains, formulating reasonable and stable dividend policy, and stepping up internal capital replenishment while facilitating external capital replenishment at various levels. Based on its overall strategy and financial budget, the Bank continues to strengthen the mechanism of endogenous capital replenishment by means of restructuring, appropriate expansion, stable profit and reasonable dividends. The calculation shows that from 2015 to 2018, the core capital needs of the Bank can be satisfied through its endogenous capital with no external equity financing required, whereas the replenishment of Tier-1 and Tier-2 capital of the Bank necessitates the supplement of external capital.

In addition, the Bank has been attaching great importance to shareholder return and firmly adhering to the long-term stable policy of cash dividends. From 2010 to 2013, all dividends were distributed in the form of cash dividends, with the percentage of cash dividends exceeding 25% except for 2012. In general, the annual dividends on the Preference Shares have limited effect on the amount of the decrease in net profit attributable to the ordinary shareholders of the Bank and thus have no material impact on cash dividends distributed to ordinary shareholders. Pursuant to the Articles and the Plan for Shareholders' Return for 2014 to 2106 of China Everbright Bank Company Limited, the Bank will ensure a consistent and stable profit distribution policy while taking into account the current and long-term interest of shareholders, the sustainable operation of the Bank and the stable development of capital market, endeavoring to safeguard the interests of all shareholders.

For the quantitative effects of the Issuance of the Preference Shares on the regulatory capital indicators of the Bank and the cash dividends on Ordinary Shares, please refer to "4. Effects of the Issuance of the Preference Shares on the regulatory capital indicators of the Bank" in "Chapter V Discussion and Analysis on the Effects of the Issuance of Preference Shares on the Company" and "1. Risk of reduction in dividends" in "Section III Major Risks Arising from the Issuance of Preference Shares".

CHAPTER V DISCUSSION AND ANALYSIS ON THE EFFECTS OF THE ISSUANCE OF PREFERENCE SHARES ON THE COMPANY

1. Accounting treatment relating to the Issuance of the Preference Shares

In accordance with the relevant requirements of the Rules on Differentiating Financial Liabilities from Equity Instruments and Relevant Accounting Treatment (Cai Kuai [2014] No.13) and other domestic accounting standards promulgated by the Ministry of Finance as well as the major terms of Issuance of Preference Shares, the Preference Shares issued by the Bank under the Issuance are accounted for as equity instrument.

2. Tax treatments for the dividends of the Preference Shares

In accordance with the State Council Guiding Opinions on the Experimental Development of Preference Shares and other policies and regulations on Preference Shares and relevant provisions of prevailing tax laws, dividends of the Preference Shares will be paid out of the distributable after-tax profits. No distribution will be made prior to deducting income tax, and therefore will not result in any effects on tax payments of the Bank. However, relevant national authorities have not promulgated detailed policies and regulations or handling guidance regarding tax treatments for Preference Shares. The Bank will determine the way of handling relevant tax payments in accordance with the requirements of the relevant national policies upon completion of the Issuance of the Preference Shares.

3. Effects of the Issuance of the Preference Shares on the financial data and financial indicators of the Bank

Tier-1 Capital Adequacy Ratio and Capital Adequacy Ratio of the Bank will be further enhanced upon completion of the Issuance of the Preference Shares, which is conducive to the sustainable and sound development of various businesses of the Bank, and can improve the profitability and core competitiveness of the Bank.

Based on the financial data of the Bank as at 31 December 2013, assuming that the issuance of Preference Shares was completed on 1 January 2013 with a total issuance scale of RMB30.0 billion and a coupon rate of 6.5% and that the dividends were distributed in full (this figure is for illustrative purposes only and does not represent the Bank's expected coupon rate for the Preference Shares), and without taking into account issuance costs and financial returns generated from the use of proceeds of the Preference Shares and assuming that dividends will be paid in full and the dividends of the Preference Shares were not tax deductible, the effects of the Issuance of the Preference Shares on the key financial data and financial indicators of the Bank are as follows:

In millions of RMB unless otherwise specified

Item	Base Date: 31 December 2013			
	Before the Issuance		After the Issuance	
	The Group	Parent Company	The Group	Parent Company
Share capital of Ordinary Shares	46,277	46,277	46,277	46,277
Net assets[(1)]	153,052	152,090	181,102	180,140
Net profit	26,754	26,390	26,754	26,390
Return on weighted average net assets attributable to holders of Ordinary Shares of the parent company (%)[(2)]	21.48	N/A	20.07	N/A
Basic earnings per share attributable to holders of Ordinary Shares of the parent company (RMB)[(3)]	0.66	N/A	0.61	N/A

Notes:

(1) Net assets after the Issuance = net assets before the Issuance + Preference Shares of RMB30.0 billion – dividends on Preference Shares for the year;

(2) Return on weighted net assets attributable to holders of Ordinary Shares of the parent company after the Issuance = (net profit attributable to shareholders of the parent company – dividends of Preference Shares for the year)/(weighted average net assets attributable to shareholders of the parent company – share capital of Preference Shares – weighted average impact of dividends of Preference Shares for the year);

(3) Basic earnings per share attributable to holders of Ordinary Shares of the parent company after the issuance = (net profit attributable to shareholders of the parent company before the Issuance – dividends of Preference Shares for the year)/weighted average share capital of Ordinary Shares.

(1) Effects on share capital of Ordinary Shares of the Bank

There will be no change to the share capital of Ordinary Shares of the Bank upon completion of the Issuance of the Preference Shares, provided that no triggering event for mandatory conversion occurs. In the case of occurrence of triggering event for mandatory conversion, the Preference Shares under the Issuance will be wholly or partially converted into Ordinary Shares, and the share capital of Ordinary Shares of the Bank will increase.

(2) ***Effects on net assets***

The Preference Shares are accounted for as equity instrument. Net assets of the Bank will increase upon completion of the Issuance of the Preference Shares.

(3) ***Effects on debt ratio***

The Preference Shares are accounted for as equity instrument. Debt ratio of the Bank will decrease further and the structure of assets and liabilities will further optimize upon completion of the Issuance of the Preference Shares.

(4) ***Effects on return on net assets and earnings per share attributable to holders of Ordinary Shares***

The effects of the benefits generated from the proceeds on a single financial indicator cannot be measured independently due to the uniqueness of the business model of banks.

In accordance with the Accounting Standards for Enterprises No. 34 – Earnings Per Share, the Guidelines on the Compilation of Information Disclosure Documents by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (amended in 2010), the Rules on Differentiating Financial Liabilities from Equity Instruments and Relevant Accounting Treatment and other relevant provisions, indicators including net profit and net assets are calculated based on the corresponding amounts attributable to holders of Ordinary Shares when calculating indicators of return on net assets and basic earnings per share, i.e., net profits attributable to holders of Ordinary Shares (net profits after deducting dividends of Preference Shares declared to be distributed in the prevailing period from net profits attributable to owners of the parent company for the prevailing year) should be the numerator in the calculation formula.

As a result, if the benefits realized from the proceeds are excluded completely, dividend payments for the Preference Shares issued will dilute the net profit after tax attributable to holders of Ordinary Shares, and based on static estimates, the return on net assets of holders of Ordinary Shares and earnings per share attributable to holders of Ordinary Shares will decrease slightly.

However, if the benefits generated from using the proceeds are taken into account, and the Bank maintains the current capital operation efficiency, the benefits generated from using the proceeds will increase the Bank's operating income and net profit accordingly. As a result, the leverage effect of classifying the Preference Shares as additional tier-1 capital will have a positive effect on the return on net assets of holders of Ordinary Shares and earnings per share attributable to holders of Ordinary Shares of the Bank.

4. Effects of the Issuance of the Preference Shares on the regulatory capital indicators of the Bank

In accordance with the Capital Rules, the Core Tier-1 Capital Adequacy Ratio, Tier-1 Capital Adequacy Ratio and Capital Adequacy Ratio of domestic commercial banks shall reach 7.5%, 8.5% and 10.5% respectively by 2018. The Core Tier-1 Capital Adequacy Ratio, Tier-1 Capital Adequacy Ratio and Capital Adequacy Ratio of the Bank at group level were 9.11%, 9.11% and 10.57% respectively as at 31 December 2013.

Based on the financial data of the Bank as at 31 December 2013, assuming that the issuance of Preference Shares was completed on 1 January 2013 with an issuance scale of RMB30.0 billion and a coupon rate of 6.5% and that the dividends were distributed in full (this figure is for illustrative purposes only and does not represent the Bank's expected coupon rate for the Preference Shares), the effects upon completion of the Issuance of the Preference Shares on the regulatory capital indicators of the Bank are as follows:

In millions of RMB unless otherwise specified

Item	Base Date: 31 December 2013			
	Before the Issuance		After the Issuance	
	The Group	Parent Company	The Group	Parent Company
Core tier-1 capital, net (1)	151,117	149,348	149,167	147,398
Tier-1 capital, net (2)	151,121	149,348	179,171	177,398
Capital, net (2)	175,351	173,178	203,401	201,228
Core Tier-1 Capital Adequacy Ratio	9.11%	9.10%	8.99%	8.98%
Tier-1 Capital Adequacy Ratio	9.11%	9.10%	10.80%	10.81%
Capital Adequacy Ratio	10.57%	10.55%	12.26%	12.26%

Notes:

(1) Core tier-1 capital, net after the Issuance has taken into account the effects of dividends on Preference Shares for the year on retained earnings; without taking into account the financial returns generated from the proceeds of Preference Shares.

(2) Tier-1 capital, net and capital, net after the Issuance have taken into account the effects of dividends on Preference Shares for the year on retained earnings and the addition of RMB30.0 billion of Preference Shares into additional tier-1 capital.

The Issuance of Preference Shares is conducive to meeting the minimum regulatory capital requirements of the Bank and improving the Tier-1 Capital Adequacy Ratio and Capital Adequacy Ratio of the Bank. Meanwhile, the Issuance of Preference Shares will open up other channels for replenishing the tier-1 capital of the Bank and change the current situation of meeting the requirements on Tier-1 Capital Adequacy Ratio entirely by core tier-1 capital of the Bank. In addition, Issuance of Preference Shares can mitigate the dilutive effects on the interests of holders of Ordinary Shares resulting from Ordinary Shares financing and optimise the capital structure of the Bank.

5. Capability of the Bank to pay cash dividends for the last three years

(I) Profit distribution policy of the Bank

In accordance with the Articles of Association and China Everbright Bank Co., Ltd.'s Shareholder Return Plan for 2014-2016, the Bank shall continue to maintain the continuity and stability of its profit distribution policy, while taking into account the Bank's long-term interests, the interests of all shareholders as a whole and the Bank's sustainable development. Except in special circumstances, where the Company has profit for the year and the amount of accumulated undistributed profit is positive, dividends will be distributed in cash, and the profit distributed in cash per annum shall be no less than 10% of the distributable profit of the Bank attributable to holders of Ordinary Shares of the parent company for the year.

(II) Cash dividends of the Bank for the last three years

The formulation and implementation of the cash dividend policy of the Bank fully comply with the Articles of Association, with definite and clear criteria and proportions for distribution of dividends, and the relevant decision-making procedures and mechanisms are complete. The Board of Directors and the Board of Supervisors have conducted careful discussion when considering the profit distribution plan, and independent directors have diligently performed their duties and duly played their roles in safeguarding the legitimate rights and interests of small and medium shareholders. From 2011 to 2013, the Bank had no plans for capitalisation of capital reserve, and all dividends were distributed in cash, the details of which are shown in the table below:

	2013	**2012**	**2011**
Amount of dividends per 10 shares (tax inclusive, RMB)	1.72	0.58	1.33
Cash dividends (tax inclusive, RMB million)	8,029	2,345	5,378
Net profit attributable to the parent company (RMB million)	26,715	23,591	18,068
Proportion to net profit attributable to shareholders of the listed company (%)	30	10	30

(III) Analysis of the capability of the Bank to pay dividends for the Preference Shares

As at the end of 2011, 2012 and 2013, the Bank had retained earnings of RMB17.169 billion, RMB18.862 billion and RMB38.795 billion respectively. All retained earnings of the Bank were used to replenish core tier-1 capital to support continual and sound business development, so as to provide our shareholders with decent investment returns.

From 2011 to 2013, the Bank obtained profit for three consecutive years, with operating profit of RMB24.147 billion, RMB31.511 billion and RMB34.285 billion respectively; net profit attributable to owners of the parent company of RMB18.068 billion, RMB23.591 billion and RMB26.715 billion respectively; and weighted average return on net assets of 20.44%, 22.54% and 21.48% respectively, with profitability remaining stable. For currently outstanding financial bonds of the Bank, the Bank will make reasonable arrangements for using its own capital and raising capital through other financing channels for repayment of principal and payment of interest for such bonds. Repayment of principal and payment of interest for such bonds issued will not have any material adverse effects on dividend payment for the Preference Shares under the Issuance.

In addition, with the enhancement in corporate governance standards, improvements in management structure and strengthening of internal management of the Bank, the financial position and profitability of the Bank will continue to remain sound, which is conducive to ensuring sufficient capital for dividend payment for the Preference Shares and safeguarding the interests of Preference Shares investors.

6. Representations and undertakings related to the Issuance

1. Representations on whether there are other equity financing plans in the next twelve months

In addition to the current Issuance of domestic Preference Shares, the Bank will not rule out the possibility of replenishing the capital of the Bank through equity financing or otherwise within the next twelve months based on regulatory requirements, business operations and Capital Adequacy Ratio. As at the date of announcing the Proposal and based on the capital planning of the Bank, save for the Issuance of the Preference Shares, the Bank has no other equity financing plans.

2. Analysis of the impact on the returns of the ordinary shareholders for the current period and undertakings related to the Issuance

In accordance with the requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Lawful Rights and Interests of Small and Medium Investors in the Capital Markets (Guo Ban Fa [2013] No. 110), where refinancing by a listed company will dilute the returns of the current period, undertakings for implementing specific measures to make up for the shortfall in returns shall be made and honoured. At the meeting of the Board of Directors on 31 October 2014, the Bank considered and passed the resolution on "Impact of dilution of returns for the current period arising from Issuance of Preference Shares of China Everbright Bank Co., Ltd. on the key financial indicators of the Company and adoption of measures for making up the shortfall", and analysed the possible impact that the Issuance of the Preference Shares might have on the interests of holders of Ordinary Shares and returns for the current period, and, taking into consideration the actual situation of the Bank, put forward relevant specific measures for making up the shortfall in returns.

As holders of Preference Shares have seniority over holders of Ordinary Shares in obtaining distributed profits in accordance with the agreed dividend yield, on the premise of not taking into account the benefits of the use of proceeds, dividend payment of Preference Shares will to a certain degree dilute the Bank's net profit (after tax) attributable to holders of Ordinary Shares. However, using the proceeds of the Issuance of Preference Shares will generate benefits directly, and, as additional tier-1 capital and on the premise of maintaining the current capital operation efficiency of the Bank, the leverage effect generated will further support the business development of the Bank and increase the operating income and net profit of the Bank, which will have a positive impact on returns on net assets of holders of Ordinary Shares and earnings per share attributable to holders of Ordinary Shares.

Taking into account the dilutive effect on the returns of holders of Ordinary Shares for the relevant period arising from the Issuance of the Preference Shares, in order to implement the Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Small and Medium Investors in the Capital Markets and to protect the interests of holders of Ordinary Shares of the Bank, and optimise the investment return mechanism of the Bank, the Bank has undertaken to strengthen capacity for sustainable development and to strive to enhance the returns of shareholders in the mid- to long-term through the following measures, so as to make up for the dilutive effect on the returns of holders of Ordinary Share for the relevant period arising from the Issuance of the Preference Shares:

(1) Strengthening management of proceeds and making full use of the benefits of the proceeds

The Bank will strengthen the management of proceeds and regulate the use of proceeds of the Preference Shares to further improve the operational efficiency of capital, achieve a reasonable level of return on capital and the positive impact on financial indicators including return on net assets and earnings per share, so as to effectively make up for the dilutive effect on the returns of holders of ordinary shares for the current period arising from the Issuance of the Preference Shares, and further strengthen capacity for sustainable development of the Bank at the same time.

(2) *Improving the capital constraint mechanism and enhancing capital allocation efficiency*

The Bank will adhere to using capital constraint as a starting point for strategic planning and policy formulation to give full play to the role of capital management in transforming the mode of development and method of enhancing results and constantly improve the output efficiency of capital. Meanwhile, the Bank will further promote strategic transformation and structural adjustment, optimise capital allocation efficiency, adopt a comprehensive appraisal system that places emphasis on economic value added and return on economic capital, encourage the development of capital-saving products, and accord priority to the allocation of financial resources to agency operations that do not consume risk assets and do not take up funds, so as to give full play to the role of capital in effective resources allocation.

(3) *Stepping up structural adjustment and promoting the innovation and the development of technology*

The Bank will continue to develop non-retail business steadily, expand supply chain financing and enhance the comprehensive service capacity for major clients. The Bank will also focus on the development of retail business to enhance the profitability of its retail business; adjust credit structure with credit resources moderately tilted to business for medium-, small- and micro-enterprises, so as to enhance the overall contributions from customers of small- and micro-enterprises; strengthen asset quality management to increase the proportion of core debts for effective cost control; optimise revenue structure by developing settlement, agency and trading business and expanding the scale of credit card, investment banking, wealth management, custody and treasury business so as to achieve diversified growth in revenue from fee-based business; and at the same time step up efforts in innovation and strengthen scientific and technological support, so as to build itself into the most innovative domestic bank and achieve development that is even more meaningful.

(4) *Strengthening risk management measures and improving risk management capabilities*

The Bank will continue to strengthen assets and liabilities management and step up liquidity limit management and adjustments to examination mechanisms to prevent and control liquidity risk and improve capabilities in emergency liquidity management. The Bank will also continue to improve its stratified industry management system and strengthen credit management and control for strong cycling industries to prevent and control credit risk; improve various systems and implement measures conscientiously; strengthen training and education; step up risk investigation and provision of warnings to avoid operational risk; and continue to promote the effective establishment of the internal control system and build up a sound compliance culture, so as to enhance risk management capabilities continuously.

(5) Adhering to a stable policy on returns for holders of ordinary shares

The Bank will firmly establish awareness of providing shareholders with returns on the basis of steady business development, continue to improve the mechanism for distribution of dividends for holders of ordinary shares, and strive to maintain consistency, reasonableness and stability in its cash dividends policy to create long-term value for shareholders.

SECTION VI AMENDMENTS TO THE ARTICLES OF ASSOCIATION ARISING FROM THE ISSUANCE OF PREFERENCE SHARES

Pursuant to the relevant requirements of the State Council Guiding Opinions on Experimental Development of the Preference Shares, CSRC's Experimental Administrative Measures on Preference Shares, Guidelines for the Articles of Association of Listed Companies (Revision 2014) of CSRC, and CBRC's and CSRC's Guiding Opinions on the Issuance of Preference Shares by Commercial Banks to Replenish Tier-1 Capital, the Bank amended the Articles of Association, and the amendments were considered and approved by the Board of Directors at its meeting held on 31 October 2014, which will take effect on the day of completion of issuance of the first tranche of Preference Shares of the Bank upon consideration and approval by the shareholders' general meeting as well as approval by CBRC. The major contents in the amended Articles of Association relating to the Preference Shares are as follows:

1. Provisions on profit distribution

Holders of Preference Shares have seniority over holders of Ordinary Shares in profit distribution of the Bank in accordance with the agreed coupon dividend yield and profit distribution provisions. Where the Bank pay dividends to holders of Preference Shares in cash, no distribution of profits to holders of Ordinary Shares shall be made in accordance with the provisions of Article 277 of the Articles of Association before the distribution of the agreed dividends is declared.

(1) Provisions on dividend yield of Preference Shares

Preference Shares issued by the Bank will adopt a fixed coupon rate or floating coupon rate, and the specific coupon rate or method of calculation will be determined based on the relevant issuance proposal of the Preference Shares in accordance with the law.

(2) Provisions on whether holders of Preference Shares can participate in distribution of remaining profits

Holders of Preference Shares of the Bank will no longer participate in distribution of remaining profits of the Bank with holders of Ordinary Shares after obtaining distribution in accordance with the agreed coupon rate.

(3) Provisions on non-mandatory distribution of dividends of Preference Shares

The Bank has the right to cancel the distribution of all or part of the dividends of Preference Shares without constituting an event of default. The Bank may, at its discretion, use any income so cancelled to repay other debts that are due. The Bank shall notify investors at least ten working days prior to a dividend payment date of its decision to cancel all or part of the dividend distributions of Preference Shares.

(4) Provisions on non-accumulation of dividends of Preference Shares

Unless otherwise agreed at issuance, the Preference Shares of the Bank adopt the non-accumulative method of dividend payment, i.e. the dividends not distributed by the Bank to holders of Preference Shares will not be accumulated to the next interest-bearing year.

2. Provisions on seniority of holders of Preference Shares in distribution of remaining assets

In the event of liquidation of the Bank due to dissolution or bankruptcy, the remaining assets of the Bank following a settlement pursuant to the requirements of laws, regulations, rules and the Articles of Association shall be first distributed to holders of Preference Shares for the payment of the sum of the total nominal value and the dividends declared but unpaid for that period of the Preference Shares issued by then and subsisting. In the event that the remaining assets are not sufficient to satisfy these payments, they will be distributed in proportion to the shareholdings of the Preference Shares.

3. Provisions on restrictions on and restoration of voting rights

(1) Provisions on restrictions on voting rights of Preference Shares

Except in the following circumstances, holders of Preference Shares of the Bank are not entitled to attend any shareholders' meeting and the Preference Shares held by them shall have no voting rights attached:

(i). amendments to the Articles of Associations that relate to Preference Shares;

(ii). reduction of the registered capital of the Bank by more than 10% (either separately or in aggregate);

(iii). merger, demerger, dissolution or change of corporate form of the Bank;

(iv). issuance of Preference Shares; and

(v). other circumstances of changes in or abrogation of the rights of holders of Preference Shares provided in the Articles of Association.

Upon the occurrence of any of the above circumstances, the notice of a shareholders' general meeting shall be given to preference shareholders in accordance with the notification procedures applicable to ordinary shareholders as specified in the Articles of Association. The holders of Preference Shares (including proxies thereof) shall vote as a separate class from holders of Ordinary Shares with respect to the above matters and their voting rights shall be exercised in accordance with the regulatory requirements and the ratio agreed at the time of issuance of the Preference Shares, but the Preference Shares held by the Bank do not have voting rights.

Resolutions relating to the above matters shall be passed by more than two thirds (2/3) of the voting rights held by the holders of Ordinary Shares present at the meeting (including holders of Preference Shares with voting rights restored) and by more than two thirds (2/3) of the voting rights held by the holders of Preference Shares (excluding holders of Preference Shares with voting rights restored).

(2) Provisions on restoration of voting rights of holders of Preference Shares

If the Bank fails to pay the agreed dividends for the Preference Shares for three financial years in aggregate or for two consecutive financial years, holders of Preference Shares shall be entitled to attend and vote and jointly vote with ordinary shareholders at shareholders' general meetings of the Bank from the day next following the date of approval of the proposal of not paying the agreed dividend for the year by the shareholders' general meeting. For Preference Shares the dividend of which is non-accumulative, the voting rights of holders of Preference Shares of the Bank shall be restored until the full payment of the agreed dividend for the year by the Bank.

When holders of Preference Shares of the Bank exercise their voting rights upon restoration, the voting right to which each of the Preference Shares is entitled is calculated based on the agreed conversion ratio at issuance of the Preference Shares.

4. Provisions on repurchase of Preference Shares and conversion to Ordinary Shares

(1) Provisions on repurchase of Preference Shares

Preference Shares issued by the Bank have no repurchasing terms attached, and holders of Preference Shares shall have no right to require the Bank to redeem Preference Shares. The Bank may redeem Preference Shares in accordance with the relevant requirements on capital regulation of commercial banks. The total number of outstanding Preference Shares shall be written down accordingly upon redemption of Preference Shares.

(2) Provisions on conversion arrangement of Preference Shares

In accordance with the relevant requirements on capital regulation of commercial banks and subject to relevant regulatory requirements, the Bank may, through private placements, issue Preference Shares that are mandatorily convertible into Ordinary Shares upon the occurrence of trigger events.

SECTION VII BASIC INFORMATION OF THE SUBSCRIBERS OF THE ISSUANCE AND SUMMARY OF THE CONDITIONAL SHARE SUBSCRIPTION AGREEMENT

I. Basic Information of the Subscribers of the Issuance

Company name:	China Everbright (Group) Corporation
Date of establishment:	November 12, 1990
Registered capital:	RMB1.1 billion
Address:	No. 25 Taipingqiao Avenue, Xicheng District, Beijing
Legal representative:	Tang Shuangning
Business scope:	Investment in and management of companies engaged in banking, securities, insurance, fund management, trust investment and gold and silver transactions. (Businesses that require pre-approvals according to laws and regulations can only be conducted after obtaining approvals from the relevant authorities.)

Relationship with the Bank: As of September 30, 2014, Everbright Group directly held 2,057,280,034 Ordinary Shares of the Bank, representing 4.41% of the total share capital, and was the second largest holder of Ordinary Shares of the Bank. Mr. Tang Shuangning, chairman of the Board of the Bank, is the chairman of the board of directors of Everbright Group. Mr. Zhao Huan, Executive Director and President of the Bank, is an executive director of Everbright Group.

Pursuant to the Administrative Measures for Related Party Transactions between Commercial Banks and their Insiders or Shareholders (商業銀行與內部人和股東關聯交易管理辦法), the Implementation Guidelines of Shanghai Stock Exchange for Related Party Transactions of Listed Companies (上海證券交易所上市公司關聯交易實施指引), the Management Measures for Related Party Transactions of China Everbright Bank Company Limited (中國光大銀行股份有限公司關聯交易管理辦法), Everbright Group's subscription of Preference Shares under the Issuance constitutes a related party transaction and therefore has been approved following internal procedures of the Bank. The related party transaction will not cause the addition of related parties to the Bank. Everbright Group has proposed to transform from a wholly state-owned enterprise to a joint stock company and to be renamed as "China Everbright Group Corporation" (中國光大集團股份公司). For details, please refer to the related announcements issued by the Bank.

II. Summary of the Conditional Share Subscription Agreement

On October 31, 2014, Everbright Group and the Bank entered into the Conditional Share Subscription Agreement (the "Share Subscription Agreement") in relation to Everbright Group's subscription of Preference Shares under the Issuance, the key elements of which are set out as below:

1. Method of Subscription, Subscription Price and Method of Payment

Everbright Group has agreed to subscribe for no more than 10,000,000 shares of the domestic Preference Shares under the Issuance by the Bank, and the final number of shares subscribed shall not exceed the total number of shares to be issued under the approval of the regulatory authorities. Details on the number of shares subscribed shall be determined through negotiations between Everbright Group and the Bank.

The nominal value of the Preference Shares to be subscribed by Everbright Group will be RMB100 per share, and the Preference Shares shall be subscribed at their nominal value.

The coupon rate for the subscribed shares may be adjusted at different intervals (i.e. the coupon rate may either remain unchanged for the term of the Preference Shares, or there will be dividend adjustment periods and the coupon rate will be fixed for a certain period after the issuance of the Preference Shares and will be readjusted once after each specified period thereafter. The actual coupon rate shall be determined by the Board with reference to factors including the national policies, market conditions, the actual circumstances of the Bank and investor demand at the time of Issuance, subject to the authorization at the shareholders' general meeting (which authorization can be further delegated). Everbright Group has agreed not to subscribe for shares by tender, and will accept the issuance price, coupon rate and conversion price as determined in the finalized proposal regarding the Issuance of Preference Shares.

Everbright Group has agreed that the Preference Shares issued under a specific tranche shall be subscribed in cash upon the Share Subscription Agreement coming into effect and the payment will be transferred in a lump sum to the bank account set up specifically for the Issuance in accordance with the payment notices issued by the Bank and the sponsor of the Issuance.

2. Conditions and Effective Date of the Share Subscription Agreement

The Share Subscription Agreement shall be formed upon signing and the affixing of the official seal by the legal representatives or authorized representatives of both parties.

The Share Subscription Agreement shall take effect only if the following conditions are fulfilled:

(1) The Board of the Bank and the shareholders' general meeting approve the Proposal of Issuance and the Share Subscription Agreement in accordance with laws;

(2) The relevant authorities approve Everbright Group's subscription of the Preference Shares under the Issuance in cash;

(3) CBRC approves the Issuance by the Bank;

(4) CSRC approves the Issuance by the Bank.

3. Liability for Breach of the Agreement

Should either party be in breach of the Share Subscription Agreement or any representations, warranties or undertakings under the Share Subscription Agreement be untrue, inaccurate or misleading, resulting in losses of the other party, the delinquent party shall indemnify for any and all the losses of the other party.

By Order of the Board
China Everbright Bank Company Limited
TANG Shuangning
Chairman

Beijing, the PRC
31 October 2014

As at the date of this announcement, the executive Directors of the Company are Mr. Zhao Huan and Mr. Wu Qing; the non-executive Directors are Mr. Tang Shuangning, Mr. Wu Jian, Ms. Narentuya, Mr. Wu Gang, Ms. Wang Shumin, Mr. Wang Zhongxin and Mr. Wu Gaolian; and the independent non-executive Directors are Mr. Zhou Daojiong(1), Mr. Zhang Xinze, Mr. Qiao Zhimin, Mr. Xie Rong and Ms. Fok Oi Ling Catherine.

(1) *Since the resignation of Mr. ZHOU Daojiong would result in the number of independent non-executive directors on the Board falling below the quorum provided by law, Mr. ZHOU Daojiong will continue to perform his duties as the independent non-executive director, the chairman of the Nomination Committee, a member of the Strategy Committee and a member of the Remuneration Committee of the sixth session of the Board until the appointment qualification of Mr. QIU Dong is approved by the CBRC.*