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招商銀行股份有限公司

CHINA MERCHANTS BANK CO., LTD.

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

(Stock code: 03968)

EMPLOYEE STOCK OWNERSHIP SCHEME RESUMPTION OF TRADING IN H SHARES AND DEBT SECURITIES

PROPOSED IMPLEMENTATION OF THE SCHEME

To further improve the Company's legal entity governance structure, stabilize management and key personnel team, establish a sound mid and long-term incentive mechanism combining incentives and restraints, and promote the long-term, sustained and healthy development of the Company, the relevant resolution(s) regarding the Scheme was/were considered and approved at the 31st Meeting of the Ninth Session of the Board of the Company held on 10 April 2015 based on the principles of "legal compliance, voluntary participation, self-responsibility and the combination of incentives and restraints".

Funds of the Scheme participating by the employees of the Company shall be derived from the legitimate salary of the employees as well as funds raised through other legal means as examined and approved by the Board. Shares of the Scheme shall be derived from A Shares subscribed for in the Company's Private Placement. The total amount of funds used in the subscription of A Shares in the Private Placement by the Scheme shall not exceed RMB6 billion and the number of A Shares to be subscribed for in the Private Placement shall not exceed 434,782,608 shares. After the Scheme was implemented, the total number of A Shares held in all effective Employee Stock Ownership Schemes of the Company shall not exceed 10% of the total share capital of the Company and the total number of A Shares corresponding to equity interests allotted to individual Holders shall not, in aggregate, exceed 1% of the Company's total share capital.

The subscription targets in the Private Placement of A Shares are core personnel playing a crucial role in the Company's overall performance and mid and long-term development, including, inter alia, Directors and supervisors of the Company (excluding independent non-executive Directors and external supervisors). Given that the above Potential Connected Subscribers constitute the connected persons of the Company within the meaning of the Hong Kong Listing Rules, their participation in the Scheme and subscription shall constitute a potential connected transaction. Accordingly, the transaction shall be subject to the relevant reporting, announcement and independent shareholders' approval (where applicable) requirements pursuant to the Hong Kong Listing Rules.

The Company shall strictly follow the approval procedures in connection with the connected transaction pursuant to the relevant requirements. The Company will also confirm the draft of the Employee Stock Ownership Scheme prior to issuing the notice of the shareholders' general meeting (including class shareholders' meetings) to consider and approve the Private Placement, and confirm the specific amount involved in the participation of connected persons (as defined in the Hong Kong Listing Rules) in the Scheme identified in the draft of the Employee Stock Ownership Scheme.

Shareholders and potential investors should note that, the proposed Scheme and the matters including the Private Placement to be carried out for the purpose of implementing the Scheme may or may not proceed. Accordingly, shareholders and potential investors are advised to exercise caution when dealing in the Shares and the Debt Securities.

RESUMPTION OF TRADING IN SHARES AND DEBT SECURITIES

Trading in the H Shares and Debt Securities of the Company on the Hong Kong Stock Exchange has been halted from 9:00 a.m. on 8 April 2015 pending publication of this announcement by the Company. The Company has made an application to the Hong Kong Stock Exchange for resumption of trading in the H Shares and Debt Securities of the Company from 9:00 a.m. on 13 April 2015.

At the request of the Company, trading in the A Shares of the Company will resume from the opening session on 13 April 2015 on the SSE.

To further improve the Company's legal entity governance structure, stabilize management and key personnel team, establish a sound mid and long-term incentive mechanism combining incentives and restraints, and promote the long-term, sustained and healthy development of the Company, the relevant resolution(s) regarding the Scheme was/were considered and approved at the 31st Meeting of the Ninth Session of the Board of the Company held on 10 April 2015 based on the principles of "legal compliance, voluntary participation, self-responsibility and the combination of incentives and restraints". According to such resolution(s), the Board of the Company intends to establish and implement the Scheme by way of Private Placement of A Shares where the funds of employees of the Company participating in the Scheme shall be derived from the legitimate salary of the employees as well as funds raised by them through other legal means as examined and approved by the board of directors. Shares of the Scheme shall be derived from A Shares subscribed for in the Company's Private Placement. The total amount of funds used in the subscription of A Shares in the Private Placement by the Scheme shall not exceed RMB6 billion and the number of A Shares to be subscribed for in the Private Placement shall not exceed 434,782,608 shares. After the Scheme is implemented, the total number of A Shares held in all effective Employee Stock Ownership Schemes of the Company shall not exceed 10% of the total share capital of the Company and the total number of A Shares corresponding to equity interests allotted to individual Holders shall not, in aggregate, exceed 1% of the Company's total share capital.

In principle, an employee stock ownership scheme will be launched once every year in the next two years, namely, the second phase employee stock ownership scheme and the third phase employee stock ownership scheme. The total amount of funds involved in the second phase and third phase of the employee stock ownership schemes shall not exceed RMB2 billion respectively. Details of the second phase and third phase of the employee stock ownership schemes shall be separately formulated by the Company and filed with the Board and the shareholders' general meeting for approval. Shares shall be derived from shares purchased in the secondary market or shares subscribed for in a private placement. In the event that any subscription of shares in a private placement is involved, it needs to separately obtain the approval of the Company's Board and shareholders' general meeting (including the shareholders' class meeting(s)) and has to be reported to relevant regulatory departments for examination and approval and filing. The total amount of funds involved in the three phases of the employee stock ownership scheme shall not exceed RMB10 billion.

The Scheme will be formulated in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Guiding Opinion on the Pilot Implementation of Employee Stock Ownership Scheme by Listed Companies, relevant laws, rules and regulations and normative documents as well as provisions of the Articles of Association.

I. THE SCHEME

Principal Terms of the Scheme

- Target Participants : Target participants of the Scheme are core personnel playing a crucial role in the Company's overall performance and mid and long-term development, including Directors, supervisors, Senior Management Personnel, middle-level cadres and key employees of the Company as well as senior management personnel of the Company's wholly-owned subsidiaries, of which participation of non-executive directors and shareholder supervisors in the Scheme needs to be reported to relevant authorities for approval while independent non-executive directors and external supervisors shall not participate in the Scheme. The number of target participants shall not be more than 8,500 people.
- The final number of employees participating in the Employee Stock Ownership Scheme and the subscription price are to be determined according to the actual payment made by the employees.
- Number and amount of shares to be issued : Shares to be subscribed for by the Scheme are to be derived from A Shares of the Company's Private Placement and the number of A Shares to be subscribed for shall not exceed 434,782,608 shares.
- The total amount of funds used in the subscription of A Shares in the Private Placement shall not exceed RMB6 billion.
- Method of subscription : The Private Placement is targeted at the Employee Stock Ownership Scheme of the Company. The Scheme is based on the principles of "legal compliance, voluntary participation, self-responsibility and the combination of incentives and restraints" where participants shall assume responsibility for their profits and losses at their own risk. The A Shares to be issued under the Private Placement shall be subscribed for in cash. Funds of the Scheme shall be derived from the legitimate salary of Scheme Holders as well as funds raised through other legal means as examined and approved by the Board.
- Type and par value of the shares to be subscribed : RMB denominated ordinary shares (A Shares) at par value of RMB1.00 each
- Issue price and pricing principle : The price of A Shares to be subscribed for by the Scheme in the Private Placement is RMB13.80 per share and such issue price shall not be less than 90% of the average trading price of the Company's A Shares over 20 trading days before the pricing reference date (the date of announcement of resolutions of the 31st Meeting of the Ninth Session of the Board of the Company) (i.e. RMB13.7927 per share). (The A Shares' average trading price over 20 trading days before the pricing reference date = the A Shares' total trading amount over 20 trading days before the pricing reference date ÷ the A Shares' total trading volume over 20 trading days before the pricing reference date).
- In the event of any ex-rights or ex-dividend issue occur(s) during the period from the pricing reference date to the issue date, the issue price shall be adjusted accordingly.
- Method of issue : It shall be conducted by way of private placement of new A Shares.

Lock-up period : The lock-up period of the A Shares of the Company allotted to the Scheme in the Private Placement shall be 36 months (Note (1)), starting from the time when the Company makes an announcement on the registration of such underlying shares under the Scheme.

Note (1): In the event of any change in the regulatory policy, the new regulatory policy shall prevail.

Term of the Scheme : The term of the Scheme shall be six years, starting from the date when the Company makes an announcement on the registration of underlying shares of the Scheme; after the expiry of the term, the Management Committee may request for extension, subject to the consideration and approval of the Board. The lock-up period shall be the first 36 months of the term and the post-lock-up period shall be the latter 36 months; during the lock-up period, the Asset Management Agency shall not be allowed to dispose of or transfer underlying A Shares, whereas during the post-lock-up period, in respect of the A Share(s) of the Scheme attributable to Holders, Holder may choose to transfer A Shares corresponding to the share of ownership to an account under the name of the Holder or entrust the Asset Management Agency to dispose of the A Shares. During the post-lock-up period, when all assets corresponding to the shares of Holders under the Scheme are converted into funds, then the Scheme may be terminated in advance upon the decision of the Management Committee.

After expiry of the post-lock-up period of the Scheme, the quota of A Shares that can be owned may be determined according to corporate performance targets and individual performance.

Ownership and disposal of equity interests of the Scheme : (I) After expiry of the lock-up period of the Scheme, in respect of the share that a Scheme Holder who is eligible for vesting under the performance-pegged mechanism is entitled to in the Scheme, the Scheme Holder shall make application for processing by either one of the following ways:

1. The Company makes application to the Asset Management Agency, the SSE and the CSDC on his behalf for transferring A Shares to an individual account of the Scheme Holder provided that it is supported by the systems of the SSE and the CSDC then;
2. The Asset Management Agency is entrusted to dispose of A Shares on his behalf during the period of term to the extent of not exceeding the portion of shares that the Scheme Holder is entitled to in the Company's A Shares that are purchased by the Scheme and to deliver proceeds from the disposal to the Scheme Holder.
3. The Asset Management Agency is entrusted to continuously hold the A Shares during the period of term.

After all A Shares corresponding to the share that the Scheme Holder is entitled to in the Scheme are transferred to an account under the name of the Scheme Holder in accordance with item 1 referred to above or they are disposed of in accordance with item 2 referred to above and the proceeds are delivered, the Scheme Holder shall withdraw from the Scheme.

(II) Ownership of equity interests of the Scheme

1. Before relevant A Shares of the Scheme are vested in and transferred to Scheme Holders, both the Scheme Holder and the Scheme are not entitled to any voting right and power; after the A Shares are vested in and transferred to Holders, Holders are entitled to the right and power to vote and other shareholders' rights on par with other A Shareholders of the Company as far as the A Shares are concerned;
2. During the period of term, dividends of A Shares held by the Scheme prior to its transfer to Holders shall belong to the Scheme and shall be used in the payment of relevant management expenses charged by the Asset Management Agency and the custodian bank on a priority basis and the rest shall be distributed to Holders in proportion to the respective shares attributable to them; for A Shares without any future owner due to various reasons including performance appraisal and staff resignation, the funds shall be returned to the Company after the Management Committee has entrusted the Asset Management Agency to convert the A Shares into cash.

The Scheme may only be implemented upon proposal by the Board of the Company, subject to the fulfillment of the following conditions: (1) the Scheme being approved by the Company's shareholders' general meeting, and the Private Placement of A Shares to be carried out for the purpose of implementing the Scheme being approved by the shareholders' general meeting of the Company (including shareholders' class meetings); (2) the obtaining of approval from CBRC for matters of the Company's Private Placement of A Shares to be carried out for the purpose of implementing the Scheme; (3) the obtaining of approval from CSRC for matters of the Company's Private Placement of A Shares to be carried out for the purpose of implementing the Scheme; and (4) the filing of the A Share Private Placement to be carried out for the purpose of implementing the Scheme with the Hong Kong Stock Exchange.

Please refer to Appendix I to this announcement for the full text of the Scheme (Simplified Draft) (by way of subscribing A shares in private placement).

Management of the Scheme

The Scheme will be entrusted to the Asset Management Agency for management. The Asset Management Agency will create a specialized asset management program for the Scheme.

The Asset Management Agency under the Scheme is to be determined by the Management Committee which shall be the daily regulatory management body of the Scheme responsible for convening and presiding at the Holders' Meeting to monitor the daily management of the Scheme on behalf all the Holders, to liaise with the Asset Management Agency and to perform other duties authorized at the Holders' Meeting.

Members of the Management Committee shall be assumed by the Holders upon election at the Holders' Meeting. The Management Committee shall have one director whom shall be elected by more than half of all members of the Management Committee. The term of office of members of the Management Committee shall be the term of the Scheme (including extension period). All Holders of the Scheme are entitled to participate in the Holders' Meetings and enjoy the rights and interests of the Scheme.

Asset Management Agency and Asset Management Program

An Asset Management Agency shall be entrusted by the Scheme to create an Asset Management Program. The total number of A Shares held must be in compliance with the provisions of relevant laws and regulations and administrative regulations amounting to not more than 10% of the Company's total share capital and the total number of A Shares corresponding to equity interests allotted to individual Holders shall not, in aggregate, exceed 1% of the Company's total share capital. The total number of A Shares held by Scheme shall not include Shares received by Holders prior to the listing of Shares of the Company's initial public offering, Shares purchased by them in the secondary market and Shares received through equity incentive plans. In the event of any change in relevant laws or administrative regulations, rules or normative documents in the future, then the new requirements shall prevail.

Major provisions of the Asset Management Program

1. The Asset Management Agency shall formulate an asset management program as the actual vehicle for the management of the Scheme.
2. Scope of investment of the Asset Management Program: investing in the A Shares of the Company and other legitimate investment targets.
3. Other provisions of the Asset Management Program are to be specifically provided for in the then asset management agreement.

The Company will identify and confirm the Asset Management Agency of the Scheme prior to issuing the notice of the shareholders' general meeting to consider and approve the implementation of the Employee Stock Ownership Scheme by way of Private Placement of A Shares and enter into a conditional subscription agreement with the Asset Management Agency. Further announcement will be made regarding the details of the Asset Management Agreement upon signing of the agreement. In addition, the Company will also confirm the draft of the Employee Stock Ownership Scheme prior to issuing the notice of the shareholders' general meeting (including class shareholders' meetings) to consider and approve the Private Placement, and confirm the specific amount involved in the participation of connected persons (as defined in the Hong Kong Listing Rules) in the draft of the Employee Stock Ownership Scheme.

II. PRIVATE PLACEMENT OF A SHARES

To establish a sound mechanism combining employee incentives and restraints and enhance the capital adequacy level, pursuant to the Guiding Opinion on the Pilot Implementation of Employee Stock Ownership Scheme by Listed Companies released by the CSRC on 20 June 2014, the Employee Stock Ownership Scheme will be implemented by the Company by way of Private Placement.

Major terms of Private Placement of A Shares

Class and nominal value of the shares to be issued	A Shares to be issued under the Private Placement are RMB denominated ordinary shares (A Shares) with a nominal value of RMB1.00 per share, provided that prior to such A Shares being vested in and transferred to the Holders pursuant to the Employee Stock Ownership Scheme, the Holders and Scheme shall have no right and power to vote; whereas when the A Shares are vested in and transferred to the Holders, Holders are entitled to the right and power to vote and other shareholders' rights on par with other A shareholders of the Company as far as the A Shares are concerned.
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Method and time of issue	All A Shares will be issued to target subscribers by way of Private Placement at appropriate time within six months from the date of approval from the CSRC.
Target of issue and method of subscription	The Private Placement is targeted at the Employee Stock Ownership Scheme of the Company. The A Shares to be issued under the Private Placement shall be subscribed for in cash. Funds shall be derived from the legitimate salary of the employees as well as funds raised by them through other legal means as examined and approved by the Board.
Issue price and pricing principles	<p>The pricing reference date of the Private Placement shall be the date of announcement of resolutions of the 31st Meeting of the Ninth Session of the Board of the Company (i.e. 11 April 2015). The issue price of the Private Placement shall be RMB13.80 per A Share and shall be no less than 90% of the average trading price of the Company's A Shares over 20 trading days before the pricing reference date (i.e. RMB13.7927 per A Share). In the event of any ex-rights or ex-dividend event, such as dividend distribution, bonus issue, capitalization of capital reserves or rights issue, during the period from the pricing reference date to the first day of the issuance period, the issue base price and issue price shall be adjusted accordingly.</p> <p>Of which, the average trading price of the A Shares over 20 trading days before the pricing reference date = the total trading amount of the A Shares over 20 trading days before the pricing reference date ÷ the total trading volume of the A Shares over 20 trading days before the pricing reference date.</p> <p>The issue price represents (i) a discount of approximately 11.88% to the closing price of RMB15.66 per A Share on 2 April 2015 (i.e. the last trading day immediately prior to the date of the announcement); and (ii) a discount of approximately 11.48% of the average closing price of RMB15.59 per A Share for the last five trading days from and including 2 April 2015.</p>
Number of Shares to be issued and amount	<p>The number of Shares to be issued under the Private Placement will not exceed 434,782,608 A Shares with total proceeds of no more than RMB6 billion. If any ex-right or ex-dividend event, such as dividend distribution, bonus issue, capitalization of capital reserves or rights issue, occurs during the period from the pricing reference date to the first day of the issuance period, the number of A Shares to be issued under the Private Placement will be adjusted with reference to the total proceeds from the issuance and the post ex-right or ex-dividend base price of the issuance. The actual number of A Shares to be issued shall be decided by the Board or its designated delegate(s) subject to the negotiation between the Board and the sponsor(s) (lead underwriter(s)) within the scope of the authorization conferred by the shareholders' general meeting based on the actual subscription.</p> <p>Assuming full subscription of no more than 434,782,608 A Shares in the Private Placement, the A Shares issued under the Private Placement shall account for (i) approximately 2.11% of the existing issued A Shares and approximately 1.72% of the total existing issued share capital of the Company as at the date of the announcement; and (ii) approximately 2.06% of the enlarged issued A Shares and approximately 1.69% of the total enlarged issued share capital of the Company upon completion of the Private Placement and subscription.</p>

Upon completion of the Private Placement and in the event that up to 434,782,608 A Shares are subscribed by the Asset Management Agency, the total number of issued A Shares of the Company will be increased from 20,628,944,429 A Shares to 21,063,727,037 A Shares and the total issued share capital of the Company will be increased from 25,219,845,601 Shares to 25,654,628,209 Shares.

In the event that up to 434,782,608 new A Shares are subscribed, the proceeds from the Private Placement of A Shares to be carried out for the purpose of implementing the Scheme are expected to be no more than RMB6.0 billion.

Lock-up period

The lock-up period of A Shares to be subscribed under the Employee Stock Ownership Scheme in the Private Placement shall be 36 months, starting from the time when the Company makes an announcement on the registration of such A Shares in the Private Placement under the Scheme. A Shares derived from the foregoing A Shares as a result of stock dividend distribution and capitalization of capital reserves shall also comply with the above lock-up arrangements.

Upon conclusion of the above lock-up period, the quota of the A Shares under the Employee Stock Ownership Scheme that can be vested in the individual account may be determined according to corporate performance targets and individual performance.

Place of listing

An application will be made for the listing and trading of the A Shares under the Private Placement on the Shanghai Stock Exchange.

Use of proceeds

The total proceeds from the Private Placement of A Shares shall not exceed RMB6 billion. The final total proceeds are subject to the total amount of the Employee Stock Ownership Scheme participated in by the employees of the Company and will all be used to replenish the core tier-1 capital of the Company after deducting the issuing expenses.

The proceeds of the Company will be managed according to the “Administrative Measures on Deposit and Utilization of Proceeds of China Merchants Bank Co., Ltd.” to be formulated by the Company.

The proposal on the Private Placement is subject to consideration and approval at the shareholders’ general meeting, A Share class meeting and H Share class meeting of the Company and obtaining the approvals from the CBRC, CSRC and filing with the Hong Kong Stock Exchange.

Cumulative retained earnings before the Private Placement

The cumulative retained earnings before the Private Placement shall be attributable to both existing and new Shareholders.

Effective period of the resolution(s)

The effective period of the resolution(s) on the Private Placement shall be 12 months from the consideration and approval for such resolution(s) at the shareholders' general meeting, A Share class meeting and H Share class meeting of the Company.

Equity fundraising activities in the past twelve months

Within the past 12 months immediately prior to the date of the announcement, the Company did not conduct any equity fundraising activities.

III. IMPACTS OF THE PRIVATE PLACEMENT ON THE OPERATIONAL MANAGEMENT AND FINANCIAL CONDITIONS OF THE COMPANY

(1) Impacts on shareholding structure and control

As at the date of the meeting of the Board (i.e. 10 April 2015), the Company had no controlling shareholder or de facto controller. Upon implementation of the Employee Stock Ownership Scheme by way of Private Placement, the Company will remain to have no controlling shareholder or de facto controller. The Private Placement of A Shares will not result in any changes to the controlling rights of the Company nor any non-compliance of the shareholding distribution of the Company with the relevant requirements of the Listing Rules.

(2) Impacts on capital adequacy ratio

The proceeds from the Private Placement, after deducting the issuing expenses, will all be used to replenish the core tier-1 capital, which is conducive to enhancing the core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio so as to increase the capital capabilities and strengthen the risk resistance abilities.

(3) Impacts on profitability

The Private Placement will further consolidate the capital base of the Company, which can facilitate the sustainable development of various lines of business and the sound profit growth. While driving the steady expansion of assets and business scale, it also enhances the overall profitability and core competitiveness of the Company.

Based on the foregoing, the application of the proceeds from the Private Placement to replenish the core tier-1 capital aligns with the capital regulatory requirements and long-term strategic development direction of the Company, which is conducive to improving the long-term incentive and restraint mechanism of the Company, thus providing capital support for the sustainable and healthy development of the business and creating sustainable investment returns for shareholders. In the meantime, the Company is well positioned for the Private Placement and the relevant procedures are in compliance with the laws and regulations. The Company also adopts effective measures to continuously push ahead the business development and strategic transformation, providing sound protection for the reasonable utilization of the proceeds and maximizes the returns on the utilization of the proceeds. Accordingly, the proceeds from the Private Placement are necessary and feasible.

IV. RISKS ASSOCIATED WITH DILUTION OF EARNINGS PER SHARE AND RETURN ON EQUITY WITHIN A SHORT PERIOD UPON COMPLETION OF PLACEMENT

As at the end of 2014, the share capital of the Company comprised 25,219,845,601 Shares; earnings per Share was RMB2.22; and weight average return on equity was 19.28%. Based on the placement proposal, the Company plans to place not more than 434,782,608 A Shares in the amount of not exceeding RMB6 billion to the current employee stock ownership scheme and, when it is completed, the size of the Company's share capital and equity is expected to expand. In the short run, a certain period of time is still needed for asset size expansion after the completion of placement and the earnings and benefits directly generated cannot be reflected immediately. As a result, when the proceeds are received, the earnings per Share and return on equity of the Company may fall slightly in the near term.

V. DIRECTORS' CONFIRMATION

The Board of the Company consider that the terms of the Scheme and the Private Placement (including the issue price) to be carried out for the purpose of implementing the Scheme are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders of the Company as a whole. Each of the resolutions regarding the Scheme and the transactions contemplated thereunder has been passed at the 31st Meeting of the Ninth Session of the Board of the Company, of which the Resolution regarding the Proposed Private Placement of A Shares to Specified Targets by the Company, the Resolution regarding the 2015 First Phase Employee Stock Ownership Scheme of the Company (Simplified Draft) (by way of subscribing A shares in private placement) and its Summary, the Resolution regarding the Proposal on the Private Placement of A Shares of the Company, the Resolution regarding the Proposed Grant of Authorization to the Board and its Designated Delegates by the Shareholders' General Meeting of the Company to Handle the Matters relating to the Private Placement of A Shares and the Resolution regarding the Related Transactions in relation to the Private Placement of A Shares of the Company proposed for voting involved the subscription of A Shares in the Private Placement by the Employee Stock Ownership Scheme of the Company and constituted related transactions and the related Directors, namely Li Jianhong, Ma Zehua, Zhang Guanghua, Tian Huiyu, Li Xiaopeng, Li Yinquan, Sun Yueying, Su Min, Fu Junyuan, Li Hao, Fu Gangfeng and Hong Xiaoyuan had abstained from voting and each of the resolutions was voted for by the other six unrelated Directors. Independent non-executive Director Leung Kam Chung, Antony who being unable to attend the above Board meeting due to his commitment to the international conference had appointed independent non-executive Director Wong Kwai Lam as his proxy to abstain on his behalf from voting in all the resolutions. Save as disclosed above, no Director is materially interested in the Scheme or shall abstain from voting with respect of the Board resolutions considering and approving the Scheme and the transactions contemplated thereunder pursuant to the Hong Kong Listing Rules and/or the articles of association of the Company.

VI. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

The subscription targets in the Private Placement of A Shares are core personnel playing a crucial role in the Company's overall performance and mid and long-term development, including, inter alia, Directors and supervisors ("Potential Connected Subscribers"). Given that the above Potential Connected Subscribers constitute the connected persons of the Company within the meaning of the Hong Kong Listing Rules, their participation in the Scheme and subscription shall constitute a potential connected transaction. Accordingly, the transaction shall be subject to the relevant reporting, announcement and independent shareholders' approval (where applicable) requirements pursuant to the Hong Kong Listing Rules.

The Company shall strictly follow the approval procedures in connection with the connected transaction pursuant to the relevant requirements. The Company will also confirm the Employee Stock Ownership Scheme prior to issuing the notice of the shareholders' general meeting (including class shareholders' meetings) to consider and approve the Private Placement, and confirm and identify the specific amount involved in the participation of connected persons (as defined in the Hong Kong Listing Rules) in the Employee Stock Ownership Scheme.

The Company will confirm the Asset Management Agency of the Scheme prior to issuing the notice of the shareholders' general meeting to consider and approve the Private Placement of A Shares and enter into a conditional subscription agreement with the Asset Management Agency. Further announcement will be made regarding details of the Asset Management Agency and the Asset Management Agreement upon signing of the agreement.

A shareholders' general meeting, A Share class meeting (where applicable) and H Share class meeting (where applicable) will be convened to consider and approve, if thought fit, the Scheme and matters including the Private Placement to be carried out for the purpose of implementing the Scheme, and authorize the Board to deal with the matters relating to the Scheme.

VII. GENERAL

The Company is a joint-stock company incorporated in the PRC with limited liability, the A Shares and the H Shares of which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange respectively. The Company and its subsidiaries provide customers with various wholesale and retail banking products and services, and maintain treasury businesses with proprietary purpose and on behalf of customers.

VIII. RESUMPTION OF TRADING IN SHARES AND DEBT SECURITIES

Trading in the H Shares (stock code: 03968) of the Company, the debt securities (stock code: 85957 and 05761) issued by the Company and the debt securities issued by an indirect wholly-owned subsidiary of the Company and guaranteed by the Company (stock code: 05789) (collectively, the "Debt Securities") on the Hong Kong Stock Exchange has been halted from 9:00 a.m. on 8 April 2015 pending publication of this announcement by the Company. The Company has made an application to the Hong Kong Stock Exchange for resumption of trading in the H Shares and Debt Securities of the Company from 9:00 a.m. on 13 April 2015.

At the request of the Company, trading in the A Shares of the Company will resume from the opening session on 13 April 2015 on the SSE.

IX. DEFINITIONS

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

“A Share(s)”	domestic share(s) of par value of RMB1.00 each in the capital of the Company which is(are) denominated in RMB and listed in the Shanghai Stock Exchange
“A Shareholders”	holders of the A Shares
“Asset Management Agency”	a third-party institution with asset management qualifications as required by the laws and regulations and which accepts the entrustment of the Scheme for the provision of asset management service
“Asset Management Agreement”	the asset management agreement to be entered into between the Company and the Asset Management Agency with respect to the investment in the relevant Asset Management Program
“Asset Management Program”	the asset management program dedicating for employee stock ownership scheme, which is to be established by the Asset Management Agency entrusted by the Scheme
“associate(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Board”	the board of Directors

“CBRC”	China Banking Regulatory Commission
“connected person(s)”	has the meaning ascribed to it in the Hong Kong Listing Rules
“Company” or China Merchants Bank	China Merchants Bank Co., Ltd. (招商銀行股份有限公司), a joint stock limited company incorporated in the PRC, the H Shares of which are listed on the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange
“CSDC”	China Securities Depository and Clearing Corporation Limited
“CSRC”	China Securities Regulatory Commission
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign share(s) of par value of RMB1.00 each in the capital of the Company on the Hong Kong Stock Exchange
“H Shareholder(s)”	the holder(s) of H Shares
“Holders’ Meeting”	meeting of all Scheme Holders
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Management Committee”	a body elected by the Holders’ Meeting of the Scheme for the daily administration of the Scheme
“PRC”	the People’s Republic of China
“Private Placement”, “Private Placement of A Shares” or “Placement”	the private placement of no more than 434,782,608 A Shares to be carried out for the purpose of implementing the Scheme and the details of which are set out under the section headed “II. Private Placement of A Shares” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC

“Scheme” or “Employee Stock Ownership Scheme”	2015 First Phase Employee Stock Ownership Scheme of China Merchants Bank Co., Ltd. to be established by the Company and the details of which are set out under the section headed “I. The Scheme” in this announcement
“Scheme Holder(s)” or “Holder(s)”	qualified employee(s) who choose(es) at his/her own accord to participate in the Scheme
“Shares”	A Shares and H Shares
“Shareholder(s)”	holder(s) of the Shares
“SSE” or “Shanghai Stock Exchange”	the Shanghai Stock Exchange
“trading day(s)”	the day on which the SSE opens for trading of or dealing in the securities for A Shares and the day on which the Hong Kong Stock Exchange opens for trading of or dealing in the securities for H Shares
“%”	per cent

By Order of the Board of
China Merchants Bank Co., Ltd.
Li Jianhong
Chairman

10 April 2015

As at the date of this announcement, the executive directors of the Company are Tian Huiyu, Zhang Guanghua and Li Hao; the non-executive directors of the Company are Li Jianhong, Ma Zehua, Li Xiaopeng, Li Yinquan, Fu Gangfeng, Sun Yueying, Su Min, Fu Junyuan and Hong Xiaoyuan; and the independent non-executive directors of the Company are Leung Kam Chung, Antony, Wong Kwai Lam, Pan Chengwei, Pan Yingli, Guo Xuemeng and Zhao Jun.

APPENDIX I

FULL TEXT OF THE SCHEME (SIMPLIFIED DRAFT)

(BY WAY OF SUBSCRIBING A SHARES IN THE PRIVATE PLACEMENT)

China Merchants Bank Co., Ltd.

**2015 First Phase Employee Stock
Ownership Scheme**

(Simplified Draft)

**(by way of subscribing A shares in
private placement)**

April 2015

Statement

The Board of Directors of China Merchants Bank Co., Ltd. (the “Company”) and all Directors thereof guarantee that the information contained in this employee stock ownership scheme does not contain any false representations, misleading statements or material omissions, and jointly and severally accept responsibility for its truthfulness, accuracy and completeness of the content.

Special Reminder

- (I) To further improve the Company's legal entity governance structure, stabilize management and key personnel team, establish a sound mid and long-term incentive mechanism combining incentives and restraints, and promote the long-term, sustained and healthy development of the Company, the first phase employee stock ownership scheme of China Merchants Bank Co., Ltd. for 2015 (the "Scheme") has been established based on the principles of "legal compliance, voluntary participation, self-responsibility and the combination of incentives and restraints".
- (II) The Scheme has been formulated in accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Guiding Opinion on the Pilot Implementation of Employee Stock Ownership Scheme by Listed Companies*, relevant laws, rules and regulations and normative documents as well as provisions of the *Articles of Association*.
- (III) The Scheme may only be implemented upon proposal by the Company's board of directors, subject to the fulfillment of the following conditions: (1) the Scheme being approved by the Company's shareholders' general meeting and the Private Placement of A Shares to be carried out for the purpose of implementing the Scheme being approved by the shareholders' general meeting of the Company (including shareholders' class meetings); (2) the obtaining of approval from China Banking Regulatory Commission for matters of the private placement of A Shares to be carried out for the purpose of implementing the Scheme; (3) the obtaining of approval from China Securities Regulatory Commission for matters of the private placement of A Shares to be carried out for the purpose of implementing the Scheme; and (4) the filing of the Private Placement of A Shares to be carried out for the purpose of implementing the Scheme with the Hong Kong Stock Exchange.
- (IV) Funds of employees participating in the Scheme shall be derived from the legitimate salary of the employees as well as funds raised by them through other legal means as examined and approved by the board of directors. Shares of the Scheme shall be derived from A shares subscribed for in the Company's private placement (the "Private Placement"). The total amount of funds used in the subscription of A shares in the Company's Private Placement shall not exceed RMB6 billion and the number of shares to be subscribed for in the Private Placement shall not exceed 434,782,608 shares. After the Scheme was

implemented, the total number of shares held in all effective employee stock ownership schemes of the Company shall not exceed 10% of the Company's total share capital and the total number of shares corresponding to equity interests allotted to individual employees shall not, in aggregate, exceed 1% of the Company's total share capital. Target participants of the Scheme include directors, supervisors, senior management personnel, middle-level cadres and key employees of the Company as well as senior management personnel of the Company's wholly-owned subsidiaries, of which participation of non-executive directors and shareholder supervisors in the Scheme needs to be reported to relevant authorities for approval whereas independent non-executive directors and external supervisors shall not participate in the Scheme. The number of target participants shall not be more than 8,500 people.

- (V) The price of shares to be subscribed for by the Scheme in the Company's Private Placement is RMB13.80 per share and such issue price shall not be less than 90% of the average trading price of the Company's A shares over 20 trading days before the date of announcement of resolutions of the 31st Meeting of the Ninth Session of the Board of Directors of the Company (the reference date). In the event of any ex-rights or ex-dividend issue occurs during the period from the pricing reference date to the issue date, the issue price shall be adjusted accordingly.
- (VI) The lock-up period of underlying shares allotted to the Scheme in the Private Placement shall be 36 months¹, starting from the time when the Company makes an announcement on the registration of such underlying shares under the Scheme.
- (VII) The management of the Scheme shall be entrusted to a third party. The entrusted party must comply with the laws and regulations governing the requirements of asset management qualification and create a dedicated asset management program for the Scheme.
- (VIII) The Scheme, upon implementation, will not lead to any corporate equity distribution not in compliance with the listing conditions and requirements.
- (IX) The term of the Scheme is six years.
- (X) The Scheme, being the Company's first phase employee stock ownership scheme in 2015, will be launched once every year in the next two years in principle, namely, the second phase employee stock ownership scheme and the third phase employee stock ownership scheme. The total amount of funds involved in the three phases of employee stock ownership scheme shall not exceed RMB10 billion.
- (XI) The total amount of funds involved in the coming second phase and third phase employee stock ownership schemes shall not exceed RMB2

¹ In the event of any change in the regulatory policy, the new regulatory policy shall prevail.

billion respectively. Details of the second phase and third phase employee stock ownership schemes shall be separately formulated by the Company and filed with the board of directors and the shareholders' general meeting for approval. Shares shall be derived from shares purchased in the secondary market or shares subscribed for in a private placement. In the event that any subscription of shares in a private placement is involved, it needs to separately obtain the approval of the Company's board of directors and shareholders' general meeting (including the shareholders' class meetings) and has to be reported to relevant regulatory departments for examination and approval and filing.

Contents

Special Reminder	3
I. Definition	7
II. Purpose and Principle of the Scheme	8
III. Target Participants of the Scheme	9
IV. Source of Funds, Source of Shares, Shareholding Size and Prohibited Acts	10
V. Term, Modification and Termination of the Scheme	12
VI. Holders' Meeting and its Convening and Voting Procedures	14
VII. Vesting and Disposal of Equity Interests of the Scheme..	17
VIII. Management Agency of the Scheme and its Responsibilities	18
IX. Management of the Scheme	20
X. Procedures for Performing the Scheme	22
XI. Specific Matters Authorized by the Shareholders' General Meeting to the Board of Directors	23
XII. Others	24

I. Definition

Unless otherwise specified, the following terms used herein have the meanings set out below:

Terms	Meaning
Company	China Merchants Bank Co., Ltd.
Scheme	2015 First Phase Employee Stock Ownership Scheme of China Merchants Bank Co., Ltd.
Scheme Holder/Holder	Employee who chooses at his/her own accord to participate in the Scheme
Holders' Meeting	Meeting of all Scheme Holders
Management Committee	A body elected by the Holders' Meeting for the daily administration of the Scheme
Shareholders' General Meeting	Shareholders' General Meeting of the Company
Board of Directors	Board of Directors of the Company
Senior Management Personnel	Senior management personnel of China Merchants Bank as stipulated in the <i>Articles of Association</i>
Asset Management Agency	A third-party institution with asset management qualifications and which accepts the entrustment of the Scheme for the provision of asset management service
Asset Management Program	the asset management program dedicating for Employee Stock Ownership Scheme, which is to be established by the Asset Management Agency entrusted by the Scheme
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange	Hong Kong Exchanges and Clearing Limited
CSDC	China Securities Depository and Clearing Corporation Limited
<i>Company Law</i>	<i>Company Law of the People's Republic of China</i>
<i>Securities Law</i>	<i>Securities Law of the People's Republic of China</i>
<i>Articles of Association</i>	<i>Articles of Association of China Merchants Bank Co., Ltd.</i>
RMB	Renminbi

II. Purpose and Principle of the Scheme

(I) Purpose of the Scheme

1. Further improve the Company's legal entity governance structure and establish a sound mid and long-term incentive mechanism combining incentives and restraints.
2. Effectively stabilize management and key personnel team and mobilize the initiative of management and key employees to promote the long-term, sustained and healthy development of the Company.
3. Implement an employee stock ownership scheme that is beneficial to the Company's capital replenishment by way of private placement.

(II) Formulation of the Principles of the Scheme

1. Legal compliance: procedures are performed in strict accordance with the laws, administrative regulations and rules as well as the provisions of normative documents of regulatory departments.
2. Voluntary participation: based on the principle of voluntary participation and acting according to one's ability, apportionment, mandatory distribution and other methods are not used to force employees to participate.
3. Self-responsibility: participants assume responsibility for their profits and losses at their own risk.
4. Combination of incentives and restraints: to encourage the fulfillment of long-term results, performance is pegged to indicators to strengthen a common vision and to tie up the long-term interests of core employees and shareholders.

III. Target Participants of the Scheme

- (I) Target participants of the Scheme are core personnel playing a crucial role in the Company's overall performance and mid and long-term development, including directors, supervisors, Senior Management Personnel, middle-level cadres and key employees of the Company as well as senior management personnel of the Company's wholly-owned subsidiaries, of which participation of non-executive directors and shareholder supervisors in the Scheme needs to be reported to relevant authorities for approval whereas independent non-executive directors and external supervisors shall not participate in the Scheme. The number of target participants shall not be more than 8,500 people.
- (II) The final number of employees participating in the employee stock ownership scheme and the amount of subscriptions shall be determined according to the actual contribution of the employees.
- (III) In the event of any of the following circumstances, an employee fails to become a Holder of the Scheme:
 - 1. the employee was publicly condemned or declared as inappropriate candidate by a securities exchange in the past three years;
 - 2. the employee was charged with administrative penalty by the CSRC for major violation of laws and regulations in the past three years;
 - 3. the employee had caused severe damage to the Company's interests, reputation and image due to the leakage of national or corporate secrets, corruption, theft, embezzlement, bribe-taking, bribe-giving, negligence, malfeasance and other acts in violation of national laws and regulations or acts in violation of public order, good morals as well as professional ethics and conduct in the past three years;
 - 4. a situation which is deemed by the Board of Directors that the employee fails to be become a Holder of the Scheme;
 - 5. other situations as stipulated by relevant laws, regulations or normative documents that the employee fails to be become a Holder of the Scheme.

IV. Source of Funds, Source of Shares, Shareholding Size and Prohibited Acts

(I) Source of funds of the Scheme

The total amount of funds used in the subscription of shares in the Private Placement shall not exceed RMB6 billion. Funds of the Scheme shall be derived from the legitimate salary of Scheme Holders as well as funds raised through other legal means as examined and approved by the Board of Directors.

(II) Source of shares of the Scheme

Shares to be subscribed for by the Scheme shall be derived from A shares in the Company's Private Placement and the number of shares to be subscribed for shall not exceed 434,782,608 shares.

An Asset Management Agency shall be entrusted by the Scheme to create an Asset Management Program. The total number of shares held must be in compliance with the provisions of relevant laws and administrative regulations amounting to not more than 10% of the Company's total share capital and the total number of shares corresponding to equity interests allotted to individual Holders shall not, in aggregate, exceed 1% of the Company's total share capital. The total number of shares held by Scheme shall not include shares received by Holders prior to the listing of shares of the Company's initial public offering, shares purchased by them in the secondary market and shares received through equity incentive plans. In the event of any change in relevant laws, administrative regulations, rules or normative documents in the future, the new requirements shall prevail.

(III) Price of underlying shares

The price of shares to be subscribed for by the Scheme in the Private Placement is RMB13.80 per share and such issue price shall not be less than 90% of the average trading price of the Company's A shares over 20 trading days before the pricing reference date (the date of announcement of resolutions of the 31st Meeting of the Ninth Session of the Board of Directors of the Company) (the average trading price of the shares over 20 trading days before the pricing reference date = the total trading amount of the shares over 20 trading days before the pricing reference date ÷ the total trading volume of the shares over 20 trading days before the pricing reference date).

In the event of any ex-rights or ex-dividend issue occurs during the period from the pricing reference date to the issue date, the issue price shall be adjusted accordingly.

(IV) The Scheme is not allowed to dispose of the Company's shares during the following periods.

1. the period starting from 60 days prior to the convening of the Company's Board of Directors' meeting for the consideration of annual report to the date of disclosure of the annual report (both days inclusive);
2. the period starting from one month (30 days in the case of February) prior to the convening of the Company's Board of Directors' meeting for the consideration of quarterly or interim report to the date of disclosure of the quarterly or interim report (both days inclusive);
3. ten days prior to the release of the Company's results preview or preliminary report (both days inclusive);

any disposal of the Company's shares is prohibited during the periods referred to above 1-3, including the extension of the Company's results announcement;

4. the period starting from the date when a material issue that may produce significant impact on the Company's share price is known to two trading days after the issue is disclosed according to law;
5. in the event of any change in the relevant laws and administrative regulations in the future, the new requirements shall prevail.

In the event of any disposal of the Company's shares by the Scheme within six months after the shares are purchased or any purchase of the Company's shares by the Scheme within six months after the shares are disposed of, the proceeds shall belong to the Company.

V. Term, Modification and Termination of the Scheme

- (I) The term of the Scheme is six years, starting from the date when the Company makes an announcement on the registration of underlying shares of the Scheme; after the expiry of the term, the Management Committee may request for extension, subject to the consideration and approval of the Board of Directors. The lock-up period is the first 36 months of the term and the post-lock-up period is the latter 36 months; during the lock-up period, the Asset Management Agency is not allowed to dispose of or transfer underlying shares, whereas during the post-lock-up period, in respect of the share of the Scheme attributable to Holders, Holder may choose to transfer shares corresponding to the share of ownership to an account under the name of the Holder or entrust the Asset Management Agency to dispose of the shares. During the post-lock-up period, when all assets corresponding to the share of Holders under the Scheme are currency funds, the Scheme may be terminated in advance upon the decision of the Management Committee.

After expiry of the post-lock-up period of the Scheme, the quota of shares that can be owned may be determined according to corporate performance targets² and individual performance.

- (II) When there is a modification, merger or division of the Company's de facto control, the Scheme remains unchanged and continues to be implemented, except where the modification or termination of the Scheme is approved by resolution of the shareholders' general meeting or the Board of Directors.
- (III) In the event of any one of the following circumstances, the Scheme shall be terminated in accordance with the provisions of relevant laws, regulations, rules and normative documents.
1. The term of the Scheme has expired;
 2. the Company has applied for bankruptcy, liquidation or dissolution;
 3. the continued implementation of the Scheme will lead to conflict with the then national laws, regulations, rules or normative documents;
 4. the Company faces serious operating difficulties and that the termination of the Scheme is approved by resolution of the board of directors;

² Performance targets will be reported separately to the Board of Directors and become effective upon consideration and approval of the board.

5. other important matters have occurred to the Company and that the termination of the Scheme is approved by resolution of the Board of Directors;
 6. other circumstances that the termination of the Scheme is required as stipulated by relevant laws, regulations, rules and normative documents.
- (IV) After the Scheme is terminated, the following procedures shall be taken.
1. In the event of the expiry of the lock-up period, Holder chooses to transfer shares corresponding to the share attributable to the Holder to an account under the name of the Holder or entrust the Asset Management Agency to dispose of such shares and deliver the proceeds to the Holder;
 2. Prior to expiry of the lock-up period, the Company organizes for prior determination of the share to be vested and then Holder chooses to transfer shares corresponding to the share attributable to the Holder to an account under the name of the Holder or entrust the Asset Management Agency to dispose of such shares and deliver the proceeds to the Holder.
- (V) When there is a change in the position of a Scheme Holder or other events, including the Scheme Holder's retirement, death or incapacity, have occurred, treatment methods shall be defined according to the reasons for leaving and relevant details of specific measures shall be formulated by the Company.
- (VI) Way of participation by the Scheme at the time of the Company's fund raising
- When the Company raises funds through rights issue, placement, convertible bonds or other means during the term of the Scheme, the Management Committee shall submit the matter to the Holders' Meeting for determining if the Scheme participates in such fund raising or not; if the Scheme participates in the fund raising, Scheme Holders shall separately contribute capital with their self-owned funds.

VI. Holders' Meeting and its Convening and Voting Procedures

(I) Rights and obligations of Holders

Holders of the Scheme shall have the following rights:

1. participate in Holders' Meetings;
2. enjoy the rights and interests of the Scheme.

Holders of the Scheme shall have the following obligations:

1. contribute capital within the agreed period as according to their amount of subscription in the Scheme;
2. assume the risks of employee stock ownership scheme as according to their share of subscription in the Scheme.

(II) Functions and powers of the Holders' Meeting

The Holders' Meeting comprises all Holders and shall be entitled to exercise the following functions and powers:

1. determine issues in respect of participation in the Company's refinancing;
2. elect and remove members of the Management Committee;
3. authorize the Management Committee to supervise the daily administration of the Scheme;
4. select and replace the Asset Management Agency and formulate and revise relevant administrative rules;
5. authorize the Management Committee to take care of the communication and integration work with the Asset Management Agency;
6. other functions and powers that may be exercised by the Holders' Meeting of an employee stock ownership scheme as stipulated by laws and regulations or the CSRC.

(III) Procedures for convening Holders' Meetings

1. The first Holders' Meeting shall be convened and presided over by the president of the Company or his authorized person and subsequent Holders' Meetings shall be convened by the Management Committee and presided over by the director of the Management Committee; when the director of the Management Committee fails to perform his duties, he shall appoint a Holder to preside over the meeting.
2. In the event of any of the following situations, a Holders' Meeting shall be convened:
 - (1) a member of the Management Committee resigns, fails to perform his duties for three consecutive months or is unfit for the job of a member of the Management Committee;
 - (2) other matters having significant impact on the rights and obligations of Holders of the Scheme that a Holders' Meeting needs to be convened.
3. In convening a Holders' Meeting, the convener of the meeting shall issue a notice of meeting three days prior to the meeting and send it to all Holders by direct delivery, post, facsimile, electronic mail or other means.
4. The notice of meeting shall at least include the following details:
 - (1) time and place of the meeting;
 - (2) way of holding the meeting;
 - (3) matters (proposals) to be considered in the meeting;
 - (4) the convener and chairman of the meeting or the proposer of interim meeting and his written proposals;
 - (5) meeting materials required for voting;
 - (6) requirements for Holders to attend the meeting in person or appoint other Holders to attend the meeting on his behalf;
 - (7) contact person and contact information;
 - (8) date of issuance of the notice.

(IV) Voting procedures of the Holders' Meeting

The Holders' Meeting has the following voting procedures:

1. After each proposal has been fully discussed, the chairman shall timely submit it to Holders attending the meeting for voting. The chairman may also decide to submit all proposals together to Holders attending the meeting for voting upon discussion of all proposals in the meeting. Voting is carried out by show of hands or paper ballot, through telecommunication means or other effective voting methods.
2. In the Scheme, Holders shall have the right to one vote for each share held (corresponding to each share of the Company held by the Scheme).
3. When electing members of the Management Committee, persons receiving the highest number of votes in descending order shall be elected; for other resolutions, those that were approved by Holders attending the meeting having half or more of the votes are deemed to be adopted. However, decisions on matters in respect of participation of the Scheme in the Company's refinancing shall only be valid upon passing by more than two-thirds of the effective voting rights held by Holders (and proxies) attending the meeting.
4. In the event that a resolution of Holders' Meeting must be reported to the Company's Board of Directors or shareholders' general meeting for consideration, it shall be submitted to the Company's Board of Directors or shareholders' general meeting for consideration in accordance with the requirements of the *Articles of Association*.

VII. Vesting and Disposal of Equity Interests of the Scheme

- (I) After the expiry of the lock-up period of the Scheme, in respect of the share that a Scheme Holder who is eligible for vesting under the performance-pegged mechanism is entitled to in the Scheme, the Scheme Holder shall make application for processing by one of the following ways:
1. The Company makes application to the Asset Management Agency, the SSE and the CSDC on his behalf for transferring shares to an individual account of the Scheme Holder provided that it is supported by the systems of the SSE and the CSDC then.
 2. The Asset Management Agency is entrusted to dispose of shares on his behalf during the term to the extent of not exceeding the portion of shares that the Scheme Holder is entitled to in the Company's shares that are purchased by the Scheme and to deliver proceeds from the disposal to the Scheme Holder.
 3. The Asset Management Agency is entrusted to continuously hold the shares during the term.

After all shares corresponding to the share that the Scheme Holder is entitled to in the Scheme are transferred to an account under the name of the Scheme Holder in accordance with item 1 referred to above or they are disposed of in accordance with item 2 referred to above and the proceeds are delivered, the Scheme Holder shall withdraw from the Scheme.

- (II) Vesting of equity interests of the Scheme
1. Before relevant shares of the Scheme are vested in and transferred to Scheme Holders, both the Scheme Holder and the Scheme are not entitled to any voting right and power; after the shares are vested in and transferred to Holders, Holders are entitled to the right and power to vote and other shareholders' rights on par with other shareholders of the Company as far as the shares are concerned.
 2. During the term, dividends of shares held by the Scheme prior to transfer to Holders shall belong to the Scheme and shall be used in the payment of relevant management expenses charged by the Asset Management Agency and the custodian bank on a priority basis and the rest shall be distributed to Holders in proportion to the respective shares attributable to them; for shares without any future owner due to various reasons including performance appraisal and staff resignation, the funds shall be returned to the Company after the Management Committee has entrusted the Asset Management Agency to convert the shares into cash.

VIII. Management Agency of the Scheme and its Responsibilities

- (I) The Scheme shall establish a Management Committee as the daily supervisory and administrative body of the Scheme to exercise the rights of shareholders on behalf of Holders.
- (II) All members of the Management Committee shall be assumed by Holders upon election at the Holders' Meeting. The Management Committee shall have one director whom shall be elected by more than half of all members of the Management Committee. The term of office of members of the Management Committee shall be the term of the Scheme (including extension period).
- (III) The Management Committee shall have the following functions and responsibilities:
 - (1) responsible for convening Holders' Meetings;
 - (2) supervise the daily administration of the Scheme on behalf of all Holders;
 - (3) responsible for the communication and integration work with the Asset Management Agency;
 - (4) other responsibilities as authorized by the Holders' Meeting.
- (IV) The director of the Management Committee shall have the following functions and powers:
 - (1) preside over Holders' Meetings and convene and preside over meetings of the Management Committee;
 - (2) supervise and inspect the implementation of resolutions of the Holders' Meeting and the Management Committee;
 - (3) other functions and powers as granted by the Management Committee.
- (V) Meetings of the Management Committee shall be convened at least once a year and may be convened in an irregular manner and that they shall be convened by the director of the Management Committee. Notice of meeting shall be sent to all members of the Management Committee two working days prior to the meeting by post, telephone, facsimile and other means.

- (VI) Meetings of the Management Committee may only be held when more than half of the members are present. Meetings of the Management Committee shall implement a one-person one-vote system and meeting resolutions may only be valid upon passing by more than half of the members of the Management Committee.
- (VII) Meetings of the Management Committee shall be attended by the members in person; if a member fails to attend the meeting for any reason, he may, in writing, appoint any other member to attend the meeting on his behalf.

IX. Management of the Scheme

(I) Management model

The Scheme is entrusted to the Asset Management Agency for management.

(II) Selection and appointment of agency for the management of the Scheme

The Asset Management Agency of the Scheme shall be determined by the Management Committee and a management agreement shall be signed by and between the Company (on behalf of the Scheme) and the Asset Management Agency and that relevant Asset Management Program shall be created.

(III) Major provisions of the Asset Management Program

1. The Asset Management Agency creates an Asset Management Program as the actual vehicle for the management of the Scheme.
2. Scope of investment of the Asset Management Program: investing in the A shares of the Company and other legitimate investment targets.
3. Other provisions of the Asset Management Program are to be specifically provided for in the then asset management agreement.

(IV) Asset management expenses

1. Expenses relating to the asset management include:
 - (1) management fee of the Asset Management Agency;
 - (2) custodian fee of the asset custodian;
 - (3) bank charges required in the appropriation and transfer of entrusted property;
 - (4) entrusted property securities and futures account opening fees as well as transaction-based taxes and costs;
 - (5) other expenses that may be charged under entrusted property in accordance with the laws and regulations and the agreements of the contract.

2. The expense accrual method, accrual standards and payment methods shall all be provided for in the relevant agreements then.
3. Expenses or loss of entrusted property due to the failure of the Asset Management Agency and the asset custodian to perform or fully perform their obligations as well as costs incurred in the processing of matters irrelevant to the entrusted property operations shall neither be included into the entrusted property operating expenses nor the asset management expenses.

X. Procedures for Performing the Scheme

- (I) Independent directors of the Company express their independent views on the Scheme.
- (II) The board of supervisors of the Company expresses its views on the Scheme.
- (III) The Company appoints a law firm to issue a legal opinion on the Scheme.
- (IV) The Board of Directors considers and approves the Scheme and makes an announcement on the board resolutions, the draft of the Scheme, the views of independent directors and the board of supervisors, the legal opinion, etc.
- (V) The Company convenes a staff congress to fully solicit the views of employees on the Scheme.
- (VI) The Company issues a notice on the convening of shareholders' general meeting and at the same time makes an announcement on the opinion soliciting situation in the staff congress and relevant resolutions.
- (VII) After filing with the Hong Kong Stock Exchange, the Company issues a letter to shareholders (in both Chinese and English), including the full text of the draft of the Scheme, to shareholders.
- (VIII) The shareholders' general meeting considers the Scheme and shareholders of the Company vote onsite or online and approve the implementation of the Scheme.
- (IX) After the Scheme is considered and approved by the shareholders' general meeting of the Company and matters relating to the Private Placement of A shares are considered and approved by the shareholders' general meeting (including shareholders' class meetings) of the Company and are examined and approved by the CBRC and the CSRC and are filed with the Hong Kong Stock Exchange, the Company shall implement the Scheme.

XI. Specific Matters Authorized by the Shareholders' General Meeting to the Board of Directors

After the Scheme is considered and approved, the shareholders' general meeting shall authorize the Board of Directors to process relevant matters of the Scheme. Specific matters to be authorized are set out as follows:

- (I) consideration of the modification and termination of the Scheme, including but not limited to the cancellation of eligibility of Scheme Holders in accordance with the agreement of the Scheme, prior termination of the Scheme, modification of rules governing the setting of the vesting period, formulation and modification of stock vesting performance requirements, etc.;
- (II) determination on the extension of term of the Scheme;
- (III) determination on matters that are required to be considered with respect to the participation of the Senior Management Personnel in the Scheme during the term of the Scheme;
- (IV) determination on the change of relevant Asset Management Agency and asset management contract of the Scheme;
- (V) other specific matters that are to be authorized to the Board of Directors for management of the Scheme.

XII. Others

- (I) The Company shall implement the financial, accounting, taxation and other matters of the Scheme in accordance with relevant laws, regulations, rules and normative documents.
- (II) The Scheme shall be in force after it has been considered and approved by the shareholders' general meeting of the Company and that matters in respect of the Private Placement of shares have been considered and approved by the shareholders' general meeting (including shareholders' class meetings) of the Company and have been examined and approved by the CBRC and the CSRC and have been filed with the Hong Kong Stock Exchange.
- (III) The power of interpretation of the Scheme is vested in the Board of Directors of the Company.