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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult an exchange participant or other securities dealer licensed as a licensed person under the Securities and Futures Ordinance, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chong Hing Bank Limited (the “Bank”), you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, exchange participant or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**PROPOSALS RELATING TO**  
**(1) RE-ELECTION OF DIRECTORS;**  
**(2) GENERAL MANDATES TO BUY BACK SHARES AND TO ISSUE SHARES;**  
**(3) CONNECTED TRANSACTIONS INVOLVING PROPOSED ISSUE OF**  
**NEW SHARES TO CONNECTED PERSONS UNDER THE**  
**SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE;**  
**AND**  
**(4) NOTICE OF 2020 ANNUAL GENERAL MEETING**

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



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A letter from the Board is set out on pages 5 to 17 of this circular.

The notice convening the 2020 AGM of the Bank to be held at the 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong on Friday, 15 May 2020 at 11 a.m., at which, among other things, the proposals relating to the re-election of Directors, Buy-back Mandate and Issue Mandate and the connected transactions involving proposed issue of new Shares to connected persons under the Share Award Scheme pursuant to the Specific Mandate will be considered, is set out on pages 39 to 43 of this circular. A proxy form for use at the 2020 AGM is also enclosed.

Whether or not you are able to attend the 2020 AGM, you are requested to complete and return the proxy form to the Bank's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or adjourned meeting (as the case may be). Such proxy form can also be downloaded from the Bank's website ([www.chbank.com](http://www.chbank.com)) or HKEx's website ([www.hkexnews.hk](http://www.hkexnews.hk)). Submission of a proxy form will not preclude you from attending and voting in person at the 2020 AGM (or any adjournment of such meeting) should you so wish.

### **SPECIAL MEASURES FOR THE 2020 AGM**

Please note that the following measures will be implemented for the 2020 AGM due to the COVID-19 pandemic (see page 17 for details):

- Compulsory temperature checks before entering the building where the 2020 AGM will be held; those with a fever may not be admitted.
- Wearing of face masks is compulsory at any time within the meeting venue and throughout the 2020 AGM.
- There will be no distribution of gifts and no refreshments.

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## DEFINITIONS

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In this circular, unless the context otherwise requires or unless otherwise defined as in the following, capitalized terms in this circular shall also have the same meanings as those defined in the Announcement:

“2019 AGM”	the annual general meeting of the Bank held on 17 May 2019
“2019 General Mandate”	the general mandate granted by the Shareholders to the Directors to allot, issue and otherwise deal with new Shares at the 2019 AGM
“Adoption Date”	27 February 2020, being the date on which the Bank adopted the Share Award Scheme
“2020 AGM”	the annual general meeting of the Bank to be held at the 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong on Friday, 15 May 2020 at 11 a.m., notice of which is set out on pages 39 to 43 of this circular
“Articles”	the articles of association of the Bank
“Announcement”	the announcement dated 16 March 2020 in respect of the (i) adoption of Share Award Scheme and grant of Award Shares; (ii) proposed issue of new Shares under the Share Award Scheme pursuant to 2019 General Mandate; (iii) connected transactions involving proposed issue of new Shares to connected persons under the Share Award Scheme pursuant to Specific Mandate; and (iv) Appointment of Independent Financial Adviser
“Award”	means the Award Shares granted to the Selected Employees in accordance with the Share Award Scheme
“Award Shares”	the Shares granted by the Bank to the Selected Employees pursuant to the Share Award Scheme on 16 March 2020
“Bank”	Chong Hing Bank Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 01111)
“Board”	the board of directors of the Bank
“Buy-back Mandate”	the general and unconditional mandate proposed under ordinary resolution numbered 5 in the notice of the 2020 AGM set out on pages 39 to 43 of this circular
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended from time to time

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## DEFINITIONS

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“Connected Award Shares”	255,802 Award Shares granted by the Bank to the Connected Grantees
“Connected Grantees”	the Selected Employees who are connected with the Bank or connected persons of the Bank
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Bank
“Eligible Participant(s)”	means the following full-time Employee(s) of the Group: <ul style="list-style-type: none"><li>(i) Executive Director(s);</li><li>(ii) Senior management, includes Chief Executive, Deputy Chief Executive, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer and Chief Information Officer;</li><li>(iii) Core management team, includes all employees at internal grading 13 or above (out of a total of 16-grade system) and Employees of specific job roles which include Head of Credit Risk Management, Chief Auditor, Head of Compliance, Tier 1 Branch Manager(s) in Mainland, except those categorised as “senior management”;</li><li>(iv) any Employee(s) whom the Board believes to have contribution or will contribute to the Group and has a direct or significant impact on the long-term development of the Group; and</li><li>(v) Employee(s) determined by the Board from time to time</li></ul>
“Employee(s)”	means any full-time employee(s) of the Group
“Excluded Employee(s)”	means any Employee, in which the law or regulation of his/her place of residence does not allow the Employee(s) to be granted any Award Shares and/or any interest in the vesting under the terms of the Share Award Scheme, or the Board or the Remuneration Committee (as the case may be) believes that such grants or interests when in compliance with the statutory requirements of such laws or regulations, making it necessary for the Bank to exclude Employee(s) from the Share Award Scheme
“Grant Date”	means the date on which the Board and/or its authorised representatives decides to grant the Award Shares to the Selected Employees in accordance with the Share Award Scheme
“Group”	means the Bank and all of its subsidiaries

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKEx”	Hong Kong Exchanges and Clearing Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee established by the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the proposed allotment and issue of the Connected Award Shares to the Connected Grantees, the Specific Mandate and transactions contemplated thereunder
“Independent Financial Adviser”	Yu Ming Investment Management Limited, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed allotment and issue of the Connected Award Shares to the Connected Grantees
“Independent Shareholders”	independent Shareholders other than the Connected Grantees and their respective associates
“Issue Mandate”	the general and unconditional mandate proposed under ordinary resolution numbered 6 in the notice of the 2020 AGM set out on pages 39 to 43 of this circular
“Latest Practicable Date”	8 April 2020, being the latest practicable date before the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Non-connected Grantees”	the Selected Employees who are not connected with the Bank or connected persons of the Bank
“Remuneration Committee”	refers to the remuneration committee of the Bank, which is organized and empowered by the Board to manage the Share Award Scheme; members of the committee includes Directors appointed by the Board from time to time; the Remuneration Committee has five members, comprising Mr Yu Lup Fat Joseph as the chairman of the Remuneration Committee, Mr Zhang Zhaoxing, Mr Chow Cheuk Yu Alfred, Mr Ma Chiu Cheung Andrew and Mr Lee Ka Lun as members of the Remuneration Committee
“Scheme Rules”	the rules governing the Share Award Scheme adopted by the Board, as amended from time to time

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## DEFINITIONS

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“Selected Employee(s)”	means any Eligible Participant(s) (excluding the Excluded Employee(s)) selected by the Board with full discretion (after consideration of the advice provided by the Remuneration Committee) from time to time in accordance with the Share Award Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) in the capital of the Bank
“Share Award Scheme”	means the “Chong Hing Bank Limited Share Award Scheme” by virtue of these provision, in its present form or as amended from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the 2020 AGM to grant the authority to the Board for the proposed allotment and issue of the Connected Award Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Securities and Futures Commission of Hong Kong, as amended from time to time
“%”	per cent.

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LETTER FROM THE BOARD

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**Executive Directors**

Mr ZONG Jianxin (*Deputy Chairman and Chief Executive*)  
Mr LAU Wai Man (*Deputy Chief Executive*)

**Non-executive Directors**

Mr ZHANG Zhaoxing (*Chairman*)  
Mr LI Feng  
Mr CHOW Cheuk Yu Alfred BBS, JP  
Ms CHEN Jing

**Independent Non-executive Directors**

Mr CHENG Yuk Wo  
Mr MA Chiu Cheung Andrew  
Mr LEE Ka Lun  
Mr YU Lup Fat Joseph

**Registered Office**

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

Hong Kong, 14 April 2020

Dear Shareholders,

**PROPOSALS RELATING TO**  
**(1) RE-ELECTION OF DIRECTORS;**  
**(2) GENERAL MANDATES TO BUY BACK SHARES AND TO ISSUE SHARES;**  
**(3) CONNECTED TRANSACTIONS INVOLVING PROPOSED ISSUE OF**  
**NEW SHARES TO CONNECTED PERSONS UNDER THE**  
**SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE;**  
**AND**  
**(4) NOTICE OF 2020 ANNUAL GENERAL MEETING**

**1. INTRODUCTION**

The purpose of this circular is to provide you with notice of the 2020 AGM together with the relevant information regarding certain resolutions to be proposed at the 2020 AGM to enable you to make an informed decision on whether to vote for or against those resolutions. At the 2020 AGM, resolutions, among others, will be proposed for the Shareholders or Independent Shareholders (as the case may be) to approve (i) the re-election of Directors; (ii) the grant of the Buy-back Mandate and the Issue Mandate; and (iii) the connected transactions involving the proposed issue of new Shares to Connected Grantees under the Share Award Scheme pursuant to the Specific Mandate. These resolutions will be proposed at the 2020 AGM and are set out in the Notice of 2020 AGM as contained in this circular.

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## LETTER FROM THE BOARD

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### 2. RE-ELECTION OF DIRECTORS

In accordance with Article 100 of the Articles and Code Provision A.4.2 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, Messrs. LAU Wai Man, CHOW Cheuk Yu Alfred and LEE Ka Lun shall retire from office by rotation and being eligible for re-election at the 2020 AGM. All those retiring Directors have offered themselves for re-election at the 2020 AGM.

The Bank received the annual confirmation of independence provided by each Independent Non-executive Director and the Nomination Committee of the Bank has assessed the independence of all Independent Non-executive Directors and affirmed that they have met the independence criteria set out in Rule 3.13 of the Listing Rules and remain independent.

The Nomination Committee, has considered the background, skills, knowledge and experience of Messrs. LAU Wai Man, CHOW Cheuk Yu Alfred and LEE Ka Lun having regard to the Policy for Appointment/Re-appointment of Directors of the Bank and the objective criteria (including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard for the benefits of diversity as set out in the Board Diversity Policy of the Bank, their respective contributions to the Board and commitment to their roles.

The Board considers that Messrs. LAU Wai Man, CHOW Cheuk Yu Alfred and LEE Ka Lun have extensive experience in different fields and professionals that are relevant to the Bank's business. In addition, their respective education, background, experience and practice allow them to provide valuable and relevant insights and contribute to the diversity of the Board.

Biographical details of the above-mentioned retiring Directors who are proposed to be re-elected at the 2020 AGM are set out in Appendix 1 to this circular.

### 3. BUY-BACK MANDATE AND ISSUE MANDATE

Pursuant to the ordinary resolutions passed by the Shareholders at the 2019 AGM, general and unconditional mandates were given to the Directors to (i) buy back Shares up to an aggregate number of Shares not exceeding 10% of the number of issued Shares as of the date of passing such resolution; and (ii) allot, issue and deal with additional Shares not exceeding 20% of the number of issued Shares as of the date of passing such resolution. Such general mandates will lapse at the conclusion of the 2020 AGM. Accordingly, resolutions will be proposed at the 2020 AGM to renew these mandates. No Shares have been bought back, allotted, issued or otherwise dealt with pursuant to the general mandates granted by the Shareholders at the 2019 AGM.

The Board takes the view that it would be in the interests of the Bank and its Shareholders as a whole if the general mandates were renewed. In this connection, the Board seeks Shareholders' approval to renew the Buy-back Mandate and the Issue Mandate subject to the restrictions described in Resolutions 5 and 6 respectively. The Board has no immediate plans to exercise the general mandates to buy back Shares or to issue additional Shares.



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## LETTER FROM THE BOARD

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The purpose of the Issue Mandate is to give the Directors some flexibility to allot and issue Shares where they believe it is in the best interests of the Shareholders to do so, in particular pursuant to any capital raising or other strategic needs that may arise from time to time.

As at the Latest Practicable Date, the number of Shares in issue of the Bank was 972,526,094 Shares. On the basis that no further Shares are issued and/or bought back by the Bank following the Latest Practicable Date and up to the date of the 2020 AGM, the maximum number of Shares to be allotted and issued under the Issue Mandate will be up to 194,505,218 Shares, representing 20% of the number of Shares in issue of the Bank.

An explanatory statement as required by the Listing Rules to provide the Shareholders with all information reasonably necessary to make an informed decision on the proposed resolutions for the granting of the Buy-back Mandate is set out in Appendix 2 to this circular.

#### **4. CONNECTED TRANSACTIONS INVOLVING PROPOSED ISSUE OF NEW SHARES TO CONNECTED PERSONS UNDER THE SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE**

##### **(a) Introduction**

Reference is made to the Announcement dated 16 March 2020 pursuant to which the Bank announced that the Board has resolved to (i) grant 255,802 Award Shares to three Connected Grantees pursuant to the Share Award Scheme, and (ii) grant of not more than 1,345,198 Award Shares to the Non-connected Grantees to be issued under the 2019 General Mandate. The Award Shares to three Connected Grantees will be settled by way of allotment and issue of 255,802 new Award Shares pursuant to the Specific Mandate.

The purpose of this circular is to provide you with, among others, (i) further details of the proposed allotment and issue of Connected Award Shares and the Specific Mandate; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed allotment and issue of the Connected Award Shares to the Connected Grantees.

Yu Ming Investment Management Limited has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the proposed allotment and issue of the Connected Award Shares to the Connected Grantees.

##### **(b) Grant of Award Shares pursuant to Share Award Scheme**

On 16 March 2020, the Board resolved to grant a total of not more than 1,601,000 Award Shares to fifty-four Selected Employees pursuant to the Share Award Scheme, in order to (i) align the interests of the Selected Employees with those of the Group through ownership of Shares, (ii) to encourage and retain the Selected Employees to make contributions to the long-term growth and profits of the Group; and (iii) recognize the Selected Employees' contribution to the Group.

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## LETTER FROM THE BOARD

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Of the total of not more than 1,601,000 Award Shares, (i) 255,802 Award Shares are granted to three Connected Grantees, two of them are Directors of the Bank and one of them is a director of the Bank's three subsidiaries, and are therefore connected persons of the Bank; and (ii) not more than 1,345,198 Award Shares to be granted to fifty-one Non-connected Grantees will be allotted and issued under the 2019 General Mandate, all of the Non-connected Grantees are Employees of the Group and two of them are exempted as connected persons of the Bank pursuant to Rule 14A.09 of the Listing Rules, therefore are not connected persons of the Bank.

The Bank has resolved to grant a total of not more than 1,345,198 Award Shares to fifty-one Non-connected Grantees, which will be allotted and issued to the Non-connected Grantees as follows:

<b>Category of Non-connected Grantees</b>	<b>Number of Non-connected Grantees</b>	<b>Number of Award Shares</b>
Senior management	3	86,438
Core management	12	474,319
Other employees	<u>36</u>	<u>784,441</u>
Total:	<u>51</u>	<u>1,345,198</u>

Save and except for two of the fifty-one Non-connected Grantees who are exempted as connected persons of the Bank pursuant to Rule 14A.09 of the Listing Rules and are therefore not connected persons of the Bank, none of the remaining forty-nine Non-connected Grantees is a director, chief executive whom is under the immediate authority of the Board, substantial shareholder of the Bank or any of its subsidiaries, or was a director of the Bank or any of its subsidiaries in the past 12 months, or any associate of the aforesaid persons.

### **(c) Proposed Issue of new Award Shares**

On 16 March 2020, the Board resolved to: (i) grant 255,802 Award Shares to three Connected Grantees pursuant to the Share Award Scheme; and (ii) grant not more than 1,345,198 Award Shares to the Non-connected Grantees to be allotted and issued under the 2019 General Mandate, in order to recognize the contributions of such Selected Employees and in driving the continuous business operation and development of the Group.

Pursuant to the Scheme Rules, the Award Shares shall be granted to the Selected Employees for nil consideration. The average closing price of the Shares for the five consecutive trading days immediately preceding the date of the Announcement as quoted on the Stock Exchange is approximately HK\$11.372 per Share.

Based on the closing price of HK\$11.10 per Share as quoted on the Stock Exchange as at the date of the Announcement, the market value of not more than 1,345,198 Award Shares granted to the Non-connected Grantees, and the 255,802 Award Shares granted to the Connected Grantees are HK\$14,931,697.80 and HK\$2,839,402.20, respectively. Based on the closing price of HK\$10.38

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## LETTER FROM THE BOARD

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per Share as quoted on the Stock Exchange as of the Latest Practicable Date, the market value of not more than 1,345,198 new Award Shares allotted and issued to the Non-connected Grantees, and the 255,802 new Award Shares allotted and issued to the Connected Grantees are HK\$13,963,155.24 and HK\$2,655,224.76, respectively.

The Award Shares shall be vested as set out below.

**(d) Vesting date**

The Award Shares shall be vested in four tranches of which: (a) 25% of the Award Shares under the Award shall be vested in the first calendar year after the Grant Date during a period of continuous service with the Group; (b) 25% of the Award Shares under the Award shall be vested in the second calendar year of continuous service with the Group after the Grant Date; (c) 25% of the Award Shares under the Award shall be vested in the third calendar year of continuous service with the Group after the Grant Date; and (d) the remaining 25% of the Award Shares under the Award shall be vested in the fourth calendar year of continuous service with the Group after the Grant Date.

The vesting of the Award Shares is subject to the conditions as set out in the Scheme Rules and the fulfillment of such conditions as specified by the Board.

**(e) Ranking of the Award Shares**

The Award Shares, when issued and fully paid, shall rank *pari passu* among themselves and with the other Shares in issue, with rights to receive all dividends and other distributions declared, made or paid on or after the date of proposed allotment and issue.

**(f) Conditions precedent**

The proposed allotment and issue of the Connected Award Shares to the Connected Grantees shall be subject to (i) the approval by the Independent Shareholders at the 2020 AGM in respect of the proposed allotment and issue of the Connected Award Shares and the transactions contemplated therein; (ii) the Stock Exchange having granted the approval for the listing of, and permission to deal in the Connected Award Shares; and (iii) fulfillment of the conditions as set out in the Scheme Rules and such conditions as specified by the Board.

**(g) Application for Listing**

Application will be made by the Bank to the Stock Exchange for the granting of the listing of, and permission to deal in, a total of 255,802 Connected Award Shares.

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## LETTER FROM THE BOARD

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The new Connected Award Shares will be allotted and issued to the Connected Grantees with details as follows:

### *Issue of Connected Award Shares to Connected Grantees*

Name of the Connected Grantees	Number of Award Shares granted to the Connected Grantees	Approximate market value of the Connected Award Shares as at the date of the Announcement <i>HK\$</i> <i>(Note 1)</i>	Approximate market value of the Connected Award Shares as at the Latest Practicable Date <i>HK\$</i> <i>(Note 2)</i>	Approximate percentage of total Shares in issue as of the Latest Practicable Date <i>(Note 3)</i>
Mr Zong Jianxin	168,659	1,872,114.90	1,750,680.42	0.017
Mr Lau Wai Man	77,031	855,044.10	799,581.78	0.008
Mr Woo Pak Kin Clement	<u>10,112</u>	<u>112,243.20</u>	<u>104,962.56</u>	<u>0.001</u>
Total	<u>255,802</u>	<u>2,839,402.20</u>	<u>2,655,224.76</u>	<u>0.026</u>

*Notes:*

1. The market value of the Connected Award Shares is calculated based on the closing market price per Share of HK\$11.10 as of 16 March 2020, being the date of the Announcement.
2. The market value of the Connected Award Shares is calculated based on the closing market price per Share of HK\$10.38 as of 8 April 2020, being the Latest Practicable Date.
3. As of the Latest Practicable Date, the total number of Shares in issue is 972,526,094.

The aggregate of 255,802 new Connected Award Shares to be allotted and issued by the Bank to the Connected Grantees, represent (i) approximately 0.026% of the total number of Shares in issue as of the Latest Practicable Date; and (ii) approximately 0.026% of the total number of Shares in issue as enlarged by the proposed allotment and issue of the new Connected Award Shares (assuming there is no change in the total number of Shares in issue of the Bank from the Latest Practicable Date up to the proposed allotment date of the new Award Shares, other than the proposed allotment and issue of the new Connected Award Shares).

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## LETTER FROM THE BOARD

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The grant of the Connected Award Shares to the Connected Grantees has been approved by all members of the Remuneration Committee. The Remuneration Committee and the Board (after consideration of the advice provided by the Remuneration Committee) has discretion to determine the Selected Employees (including Connected Grantees and Non-connected Grantees) and the amount of Award Shares to be granted to each of them, taking into account various factors, including without limitation, the contribution made by the Selected Employees to the Group's performance, his/her work experience, the individual's key performance indicator recorded in the balanced scorecard, job nature, internal grading, the importance of his/her position within the Group, the Group's overall business objectives, financial conditions, future development plans, qualitative assessments which include risk and culture assessments embedded in the performance assessment of the individual in a year, and other matters considered by the Board as relevant.

The position, roles and responsibilities of the Connected Grantees are set out as follows:

<b>Name of Connected Grantees</b>	<b>Position</b>	<b>Responsibility and Contributions to the Group</b>
Mr Zong Jianxin	Executive Director, Deputy Chairman and Chief Executive of the Bank	Leads the senior management in the day-to-day management of the Group's business in accordance with the business plans and within the budgets approved by the Board; provides overall leadership for the Group; implements (with the support of the senior management) the strategies and policies as approved by the Board and its Committees in pursuit of the Group's objectives and promotes the highest standards of integrity, probity and corporate governance within the Group; oversees 11 different operating segments / support functions of the Group

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## LETTER FROM THE BOARD

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Name of Connected Grantees	Position	Responsibility and Contributions to the Group
Mr Lau Wai Man	Executive Director and Deputy Chief Executive of the Bank	Reports to the Chief Executive; oversees 3 operating segments / support functions of the Group, 3 operating subsidiaries, as well as the Macau branch and an overseas representative office of the Bank
Mr Woo Pak Kin Clement	Director of Chong Hing Insurance Company Limited, Chong Hing Securities Limited and Chong Hing Commodities and Futures Limited	Chief Risk Officer of the Bank supervising the risk management functions of the Group

The shareholding structure of the Bank as of the Latest Practicable Date and immediately after the proposed allotment, issue and full vesting of the Award Shares (assuming no other change in the issued share capital of the Bank other than the proposed allotment, issue and full vesting of the Award Shares) is as follows:

Name of shareholders	As of the Latest Practicable Date		Immediately after the proposed maximum issue and upon full vesting of the Award Shares (including the Connected Award Shares and assuming no other change in the issued share capital of the Bank)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Yuexiu Financial Holdings Limited ( <i>Note 1</i> )	729,394,500	75	729,394,500	74.88
Yue Xiu Enterprises (Holdings) Limited ( <i>Note 1</i> )	729,394,500	75	729,394,500	74.88
Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司) ( <i>Note 1</i> )	729,394,500	75	729,394,500	74.88
Guangzhou Metro Group Co., Ltd* (廣州地鐵集團有限公司) ( <i>Note 2</i> )	70,126,000	7.21	70,126,000	7.20
<b>Sub-total</b>	<b>799,520,500</b>	<b>82.21</b>	<b>799,520,500</b>	<b>82.08</b>

\* for identification purpose only

## LETTER FROM THE BOARD

Name of shareholders	As of the Latest Practicable Date		Immediately after the proposed maximum issue and upon full vesting of the Award Shares (including the Connected Award Shares and assuming no other change in the issued share capital of the Bank)	
	Number of Shares	Approximate %	Number of Shares	Approximate %
<b>Connected Grantees</b>				
Mr Zong Jianxin, <i>Executive Director, Deputy Chairman and Chief Executive of the Bank</i>	0	0	168,659	0.017
Mr Lau Wai Man, <i>Executive Director and Deputy Chief Executive of the Bank</i>	0	0	77,031	0.008
Mr Woo Pak Kin Clement, <i>director of Chong Hing Insurance Company Limited, Chong Hing Securities Limited and Chong Hing Commodities and Futures Limited</i>	0	0	10,112	0.001
<b>Non-connected Grantees</b>	3,000	0.0003	not more than 1,348,198 (Note 3)	0.138
<b>Sub-total</b>	3,000	0.0003	not more than 1,604,000 (Note 3)	0.164
Other public shareholders	173,002,594	17.79	173,002,594	17.76
<b>Total</b>	972,526,094	100	974,127,094	100

Notes:

1. Yuexiu Financial Holdings Limited, Yue Xiu Enterprises (Holdings) Limited and Guangzhou Yue Xiu Holdings Limited\* (廣州越秀集團股份有限公司) are legally and beneficially owned as to 75% by 729,394,500 Shares.
2. Pursuant to the SFO, 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.\*) is deemed to be interested in 70,126,000 Shares of the Bank as a result of its indirect holding of such shares through its wholly-owned subsidiary, details of which were as follows:

Name of shareholder	Long position in Shares
Guangzhou Metro Investment Finance (HK) Limited (Note (i))	70,126,000

Note:

- (i) 70,126,000 Shares of the Bank were held by Guangzhou Metro Investment Finance (HK) Limited, which is wholly-owned by 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.\*). Guangzhou Metro Investment Finance (HK) Limited and 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.\*) are legally and beneficially owned as to 7.21% by 70,126,000 Shares.

\* for identification purpose only

3. Including the number of Shares held by the Non-connected Grantees as of the Latest Practicable Date.

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## LETTER FROM THE BOARD

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Taking into account the maximum number of Award Shares to be granted to the Non-connected Grantees, the percentage of public float of the Bank upon full vesting and issuance of the Award Shares to both Connected Grantees and Non-connected Grantees will be approximately 25.1% which fulfills the minimum public float requirement of 25% pursuant to the Listing Rules.

### **(h) Equity fund raising activities of the Bank in the past 12 months**

The Bank has not conducted any equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

### **(i) Reasons for the issuance of the Award Shares**

The Bank is principally engaged in the provision of banking and related financial services for its customers in Hong Kong and the Mainland China.

The Share Award Scheme forms part of the incentive schemes of the Group. The Board considers that the grant of the Award Shares to the Selected Employees recognises and motivates the outstanding contributions made by them, in driving the continuous business operation and development of the Group, as well as reducing the turnover of the Selected Employees in key positions, and in strengthening the Group's performance. Apart from Share Award Scheme, the Directors had considered the appropriateness of using share options and various alternative types of awards, in particular in view of the existing shareholding structure of the Bank with Yuexiu Financial Holdings Limited, the controlling shareholder of the Bank holding 75% of the total issued share capital of the Bank. This results in the timing and proportion of new Shares to be issued among a group of Connected Grantees and Non-connected Grantees for incentive purpose must be strictly controlled by the Bank in order to ensure that the 25% minimum public float requirement pursuant to the Listing Rules can be fulfilled at all times. Given that (i) it will be generally more difficult to control the time of exercising the awards among Connected Grantees and Non-connected Grantees in the case of share options and other alternative types of awards, and (ii) it is not an uncommon market practice for listed companies in Hong Kong to adopt share award scheme to incentivise and/or reward their key personnel and employees, the Board considers that the use of Award Shares can better facilitate the Bank's ongoing compliance obligations in terms of public float maintenance.

The Board considers that the terms and conditions of the grant of Award Shares to the Connected Grantees and the proposed allotment and issue of new Award Shares are fair and reasonable and are in the interests of the Bank and the Shareholders as a whole.

### **(j) Listing Rules implications**

Where any Award Shares will be satisfied by new Shares to be allotted and issued to the Selected Employees by the Bank under a general mandate or specific mandate, applications will be made by the Bank to the listing committee of the Stock Exchange for the listing of, and permission to deal in the new Shares on the Stock Exchange.



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## LETTER FROM THE BOARD

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Where any Award Shares involving new Shares proposed to be issued to any Selected Employee who is a connected person within the meaning of the Listing Rules, the Bank shall comply with such provisions of the Listing Rules as may be applicable, including any reporting, announcement and/or Independent Shareholders' approval requirements, unless otherwise exempted under the Listing Rules.

As the Connected Grantees are Directors of the Bank and director of the Bank's subsidiaries, the Connected Grantees are connected persons of the Bank. Therefore, the proposed allotment and issue of the Connected Award Shares to the Connected Grantees under the Share Award Scheme shall constitute connected transactions for the Bank under Chapter 14A of the Listing Rules and shall be subject to, among others, the approval by the Independent Shareholders at the 2020 AGM.

Card Alliance Company Limited, Chong Hing Information Technology Limited, Hero Marker Limited, Right Way Investments Limited, Top Benefit Enterprise Limited, Chong Hing Insurance Brokers Limited and Chong Hing (Nominees) Limited are insignificant subsidiaries of the Bank by virtue of Rule 14A.09 of the Listing Rules. Therefore, notwithstanding Mr Chiu Tak Wah Edward's directorships in Card Alliance Company Limited, Chong Hing Information Technology Limited, Hero Marker Limited, Right Way Investments Limited, Top Benefit Enterprise Limited and Chong Hing (Nominees) Limited and Mr Chan Kam Ki Vincent's directorship in Chong Hing Insurance Brokers Limited, they and their associates are not regarded as connected persons of the Bank pursuant to Rule 14A.09 of the Listing Rules.

To the best of the knowledge, information and belief of the Board, no Shareholder is required to abstain from voting on the resolution(s) to approve the proposed allotment and issue of the Connected Award Shares to the Connected Grantees and the transactions contemplated thereunder at the 2020 AGM.

Each of Mr Zong Jianxin and Mr Lau Wai Man has abstained from the relevant board resolutions approving: (i) the grant of the relevant Connected Award Shares to themselves; and (ii) the proposed allotment and issue of the Connected Award Shares to them under the Share Award Scheme.

While considering the other factors in granting of Award Shares to the Connected Grantees and Non-connected Grantees, the Group is well aware of the minimum public float requirement of 25% pursuant to the Listing Rules. The Group has adopted internal measures in ensuring public float requirement to be fulfilled at all times, including granting of Award Shares to both Connected Grantees and Non-connected Grantees at the same time in respective proportions in maintaining public float requirement. Apart from the assistance to be provided by the administrator of the Share Award Scheme in managing public float by making proportionate grants to Connected Grantees and Non-connected Grantees, the Group also has the discretion of issuing cash award in lieu of Shares to the Connected Grantees upon vesting where appropriate in order to maintain the public float requirement. The Group will closely monitor the public float percentage and take appropriate measures as above to ensure maintenance of public float at all times.

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## LETTER FROM THE BOARD

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### 5. 2020 AGM

The 2020 AGM will be held at the 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong on Friday, 15 May 2020 at 11 a.m., at which resolutions will be proposed for the purpose of considering and if thought fit, approving the resolutions proposed in this circular. The notice of 2020 AGM is set out on pages 39 to 43 of this circular.

A proxy form for use in connection with the 2020 AGM is enclosed herewith. The proxy form can also be downloaded from the Bank's website at [www.chbank.com](http://www.chbank.com) or the website of HKEx's at [www.hkexnews.hk](http://www.hkexnews.hk). Whether or not you are able to attend the 2020 AGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Bank's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for the holding of the 2020 AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the 2020 AGM or any adjourned meeting thereof should you so wish.

### 6. VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions set out in the notice of the 2020 AGM will be decided by poll at the 2020 AGM. The chairman of the 2020 AGM will exercise his right to demand a poll pursuant to Article 64 of the Articles on each of the resolutions to be proposed at the 2020 AGM except where the chairman of the 2020 AGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

After closure of the 2020 AGM, the poll results will be published on the websites of the HKEx and the Bank.

### 7. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Bank. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this circular misleading.

### 8. RECOMMENDATION

The Directors consider that the re-election of Directors and the grant of the Buy-back Mandate and the Issue Mandate are in the best interests of the Bank and its Shareholders as a whole, and recommend all Shareholders to vote in favour of the resolutions to be proposed at the 2020 AGM.

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## LETTER FROM THE BOARD

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### 9. PRECAUTIONS IN LIGHT OF COVID-19 PANDEMIC

At the time of issuing this circular, many countries and regions around the world including Hong Kong are still devoting vigorous efforts to contain the COVID-19 pandemic. The situation is evolving and it is hard to predict when the crisis will end.

The health and safety of our Shareholders and staff are our top priority as we plan for the Bank's 2020 AGM. It is important that we continue to stay alert and help prevent the spread of the disease, and Shareholders are reminded to consider for themselves whether they should attend the 2020 AGM in person. The health risks posed by large scale gatherings should not be underestimated.

In order to protect attending Shareholders and staff of the Bank from the risk of infection, the Bank will implement the following precautionary measures at the 2020 AGM:

- Compulsory temperature checks for every attending Shareholder, proxy or other attendee at the entrance to the building where the 2020 AGM will be held. Any person with a fever or is unwell may be denied entry into the meeting venue.
- Any person who does not comply with the precautionary measures or is subject to any Hong Kong SAR Government prescribed quarantine may be denied entry into the meeting venue. Health declaration may be required.
- All attendees have to wear face masks within the meeting venue and throughout the meeting.
- There will be no distribution of gifts and no refreshments will be served.
- Appropriate seating spacing will be implemented to ensure safe distancing among attendees.

The Bank also reminds Shareholders that attendance at the 2020 AGM in person is not necessary for the purpose of exercising voting rights. Shareholders may consider appointing the chairman of the 2020 AGM as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

The Bank will watch out for updated guidelines and requirements from the Hong Kong SAR Government. In the event that the 2020 AGM has to be rescheduled due to the COVID-19 situation, Shareholders will be notified of the revised date in the same manner as they would for a Black Rainstorm Warning as set out in the Notice of 2020 AGM.

Yours faithfully,  
On behalf of the Board  
**Zhang Zhaoxing**  
*Chairman*

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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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14 April 2020

*To the Independent Shareholders*

Dear Sir or Madam

**CONNECTED TRANSACTIONS INVOLVING  
PROPOSED ISSUE OF NEW SHARES  
TO CONNECTED PERSONS UNDER THE SHARE AWARD SCHEME  
PURSUANT TO SPECIFIC MANDATE**

We refer to the circular (the “**Circular**”) dated 14 April 2020 issued by the Bank of which this letter forms part. Capitalized terms used in this letter have the same meanings as those defined in the Circular unless specified otherwise.

We have been established by the Board as the Independent Board Committee to advise the Independent Shareholders in relation to the proposed allotment and issue of the Connected Award Shares to the Connected Grantees and the Specific Mandate. Yu Ming Investment Management Limited has been appointed by the Bank as the Independent Financial Adviser to advise us in this regard. Details of its advice, together with the principal factors and reasons it has taken into consideration in giving its advice, are contained in its letter set out on pages 19 to 38 of the Circular. Your attention is also drawn to the letter from the Board and the additional information set out in the appendix of the Circular.

After taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice, we concur with its views and consider that the proposed allotment and issue of the Connected Award Shares to the Connected Grantees and the Specific Mandate are (i) fair and reasonable so far as the Bank and the Shareholders are concerned and in the interests of the Bank and the Shareholders as a whole; and (ii) incidental to the Group’s development of its ordinary and usual course of business though not in the ordinary course of business of the Group and on normal commercial terms. Accordingly, we recommend that the Independent Shareholders should vote in favor of the resolutions to be proposed at the 2020 AGM to approve the proposed allotment and issue of the Connected Award Shares to the Connected Grantees, the Specific Mandate, and the transactions contemplated thereunder.

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

**Mr Cheng Yuk Wo**

**Mr Ma Chiu Cheung**  
**Andrew**

**Mr Lee Ka Lun**

**Mr Yu Lup Fat**  
**Joseph**

*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from Yu Ming Investment Management Limited to the Independent Board Committee and the Independent Shareholders in relation to the proposed allotment and issue of the Connected Award Shares to the Connected Grantees under the Share Award Scheme, which has been prepared for the purpose of inclusion in the circular.*



YU MING INVESTMENT MANAGEMENT LIMITED  
禹銘投資管理有限公司

14 April 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

### **CONNECTED TRANSACTIONS INVOLVING PROPOSED ISSUE OF NEW SHARES TO CONNECTED PERSONS UNDER THE SHARE AWARD SCHEME PURSUANT TO SPECIFIC MANDATE**

#### **INTRODUCTION**

Reference is made to the announcement of the Bank dated 16 March 2020 in connection with, among others, the adoption of the Share Award Scheme and the proposed allotment and issue of Connected Award Shares to Connected Grantees under the Share Award Scheme pursuant to Specific Mandate and Award Shares to Non-connected Grantees and the transactions contemplated thereunder (the “**Announcement**”), details of which are set out in the section headed “Letter from the Board” (the “**Letter**”) in the circular of the Bank dated 14 April 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 27 February 2020, the Board resolved to adopt the Share Award Scheme in which the Eligible Participants will be entitled to participate. The number of Award Shares to be granted under the Share Award Scheme throughout its duration is limited to 10% of the total number of issued Shares of the Bank as at the Grant Date.

On 16 March 2020, the Board resolved to: (i) grant 255,802 Award Shares to three Connected Grantees and (ii) grant of not more than 1,345,198 Award Shares to fifty-one Non-connected Grantees. The Connected Award Shares to be granted to three Connected Grantees will be settled by way of allotment and issue of 255,802 new Award Shares pursuant to the Specific Mandate to be obtained at the 2020 AGM and the Award Shares to be issued to the Non-connected Grantees will be settled by way of allotment and issue of not more than 1,345,198 new Award Shares under the 2019 General Mandate.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As two of the Connected Grantees are Directors of the Bank and one of the Connected Grantees is a director of the Bank's three subsidiaries, the Connected Grantees are connected persons of the Bank. Therefore, the proposed allotment and issue of the Connected Award Shares to the Connected Grantees under the Share Award Scheme constitute connected transactions for the Bank under Chapter 14A of the Listing Rules and are subject to, among others, the approval by the Independent Shareholders at the 2020 AGM.

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Ma Chiu Cheung Andrew, Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph, has been established to advise the Independent Shareholders as to whether the proposed allotment and issue of the Connected Award Shares to the Connected Grantees and the transactions contemplated thereunder are fair and reasonable and in the interests of the Bank and the Independent Shareholders as a whole and how to vote on the relevant resolution(s) in the 2020 AGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the statements, information, opinions and representations contained in the Circular and the statements, information, opinions and representations provided to us by the Directors through management, officers and professional advisers of the Bank ("**Relevant Information**"). We have assumed that all Relevant Information provided to us by the Directors for which they are solely responsible are, to the best of their knowledge, true, complete and accurate at the time they were made and continue to be so on the date of this letter.

We have no reason to suspect that any Relevant Information has been withheld, nor are we aware of any facts or circumstances which would render the Relevant Information provided and presented to us untrue, inaccurate, incomplete or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification on the Relevant Information provided to us by the Directors, nor have we conducted any independent investigation into the business and affairs of the Group.

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Bank or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as independent financial adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Bank or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules and qualified to give independent advice in respect of the proposed allotment and issue of the Connected Award Shares to the Connected Grantees and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation, we have taken into consideration the following principal factors and reasons:

#### 1. Information of the Group

##### *(a) Principal Business of the Group*

The Group is principally engaged in the provision of banking and related financial services and products for customers in Hong Kong and the Mainland China. The Group's operating segments include (i) corporate and personal banking; (ii) financial markets activities; (iii) securities dealing activities; and (iv) others segments.

The corporate and personal banking services provided by the Group are principally lending and trade finance facilities, auto financing, consumer financing, overdraft facilities, mandatory provident fund services, provision of fixed deposits, current and savings accounts, credit cards and personal wealth management services. The Group also provides fully automated telephone and internet banking services to its customers. Other banking services offered include remittance and money exchange, safe deposit boxes, autopay and direct debit services.

Financial markets activities mainly comprise inter-bank placement and deposit transactions, management of overall interest rate risk and liquidity of the Group and centralised cash management. Income from foreign exchange activities is generated from services provided to customers in the form of foreign exchange trading and forward contracts, and from the Bank's cash management activities through foreign currency funding swaps.

Securities dealing activities of the Group include securities trading, stockbroking and futures broking.

Other segments comprise investment holding, insurance, other investment advisory services and property investments.

Pursuant to segment information as set out in the 2018 annual report of the Group, net income from corporate and personal banking, financial market activities, securities dealing activities and other segments for the year ended 31 December 2018 were HK\$2,722 million, HK\$499 million, HK\$144 million, and HK\$320 million respectively, which represented approximately 73.8%, 13.5%, 3.9% and 8.7% of the total operating income of the Group.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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(b) *Financial Information of the Group*

Key financial information of the Group extracted from the annual report of the Bank for the two years ended 31 December 2018 and 2019 respectively were summarised in the following table:

	<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Interest income	3,800,391	5,102,578	6,492,027
Interest expense	<u>(1,483,263)</u>	<u>(2,222,616)</u>	<u>(3,232,167)</u>
<b>Net interest income</b>	<b>2,317,128</b>	<b>2,879,962</b>	<b>3,259,860</b>
Fee and commission income	424,545	505,548	448,854
Fee and commission expenses	<u>(97,074)</u>	<u>(121,054)</u>	<u>(112,263)</u>
<b>Net fee and commission income</b>	<b>327,471</b>	<b>384,494</b>	<b>336,591</b>
Net (loss) income from trading and investments	(93,938)	248,155	241,293
Other operating income	158,895	173,506	184,461
Operating expenses	<u>(1,353,633)</u>	<u>(1,548,840)</u>	<u>(1,635,363)</u>
<b>Operating profit before impairment allowances</b>	<b>1,355,923</b>	<b>2,137,277</b>	<b>2,386,842</b>
Net impairment losses on financial assets	<u>(372,510)</u>	<u>(178,254)</u>	<u>(137,881)</u>
<b>Operating profit after impairment allowances</b>	<b>983,413</b>	<b>1,959,023</b>	<b>2,248,961</b>
Net gains on disposal of assets held for sale	2,878	—	—
Net gains (losses) on disposal of property and equipment	654,619	(341)	(344)
Net gains (losses) on disposal of and fair value adjustments on investment properties	12,632	10,250	(4,431)
Other non-operating income	—	116,655	—
Share of profits of associates	<u>55,723</u>	<u>19,628</u>	<u>37,191</u>
<b>Profit before taxation</b>	<b>1,709,265</b>	<b>2,105,215</b>	<b>2,281,377</b>
Taxation	<u>(144,398)</u>	<u>(344,828)</u>	<u>(380,735)</u>
<b>Profit for the year attributable to the Shareholders</b>	<b><u>1,564,867</u></b>	<b><u>1,760,387</u></b>	<b><u>1,900,642</u></b>



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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>As at 31 December</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
<b>Total assets</b>	163,747,114	190,575,638	212,768,034
<b>Total liabilities</b>	<u>(146,313,316)</u>	<u>(168,033,309)</u>	<u>(187,904,821)</u>
<b>Total equity</b>	<u><b>17,433,798</b></u>	<u><b>22,542,329</b></u>	<u><b>24,863,213</b></u>

*For the year ended 31 December 2019*

For the year ended 31 December 2019, the Group recorded net interest income of approximately HK\$3,260 million, representing an increase of 13.2% over the corresponding period in 2018, which was mainly driven by growth of loan advanced to customers. Net fee and commission income decreased by 12.5% to approximately HK\$337 million, the decrease is mainly caused by gloomy investment market environment, fewer securities dealings and income from agency services.

Operating profit after impairment allowances for the year ended 31 December 2019 amounted to HK\$2,249 million, representing an increase of 14.8% as compared to the corresponding period in 2018. Profit attributable to equity owners of the Bank for the year ended 31 December 2019 amounted to HK\$1,901 million, representing an increase of 8.0% as compared to the corresponding period in 2018. The increase in consolidated profit for the year was mainly attributable to the increase in net interest income and effective control over costs as well as sound asset quality.

Total assets as at 31 December 2019 increased by 11.6% to HK\$212.8 billion from HK\$190.6 billion as at 31 December 2018, the increase is mainly caused by the increase in loans and advances to customers and investment in securities. Total liabilities of the Bank as at 31 December 2019 increased by 11.8% to approximately HK\$187.9 billion, the increase is mainly driven by the 13.2% increase in deposits from customers. Net assets of the Bank 31 December 2019 increased by 10.3% to approximately HK\$24.9 billion.

*For the year ended 31 December 2018*

For the year ended 31 December 2018, the Group recorded net interest income of approximately HK\$2,880 million, representing an increase of 24.3% over the corresponding period in 2017, the increase in net interest income was achieved mainly through growth of loans and advances and widened net interest margin. Net fee and commission income for the year ended 31 December 2018 increased by 17.4% to HK\$384 million as compared to the corresponding period in 2017, which was mainly attributable to the handling fees of loans as well as commission from wealth management and credit card services.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Operating profit after impairment allowances for the year ended 31 December 2018 amounted to HK\$1,959 million, representing an increase of 99.3% as compared to the corresponding period in 2017. For the year ended 31 December 2018, profit attributable to equity owners of the Bank amounted to approximately HK\$1,760 million, representing an increase of 12.5% as compared to the corresponding period in 2017. The increase in consolidated profit for the year was mainly attributable to a widened net interest margin, foreign exchange gains, as well as lower impairment allowances on financial assets.

Total assets of the Bank as at 31 December 2018 increased by 16.4% to approximately HK\$190.6 billion from HK\$163.7 billion as at 31 December 2017, the increase is mainly caused by the increase in loans and advances to customers with noticeable growth in term loans and syndication loans. Total liabilities of the Bank as at 31 December 2018 increased by 14.8% to approximately HK\$168.0 billion, the rise is mainly caused by the increase in deposits from customers. Net assets of the Bank as at 31 December 2018 increased by 29.3% to approximately HK\$22.5 billion.

(c) *Outlook of the Group*

According to the Bank's 2019 final results announcement dated 27 February 2020, in November 2019, the Bank opened its first branch outside Guangdong Province, in Shanghai, marking a milestone in the Bank's development of a new network across the Pearl River Delta and Yangtze River Delta regions. The Shanghai branch will act as a critical strategic support point for the Bank's business expansion in the Yangtze River Delta region. Though the year 2020 will bring both challenges and opportunities, the Bank is confident that it can overcome all difficulties that may arise by the steady accumulation of its sound operations and strengthened risk prevention and controls, while at the same time committing itself to transformation and innovation. The Bank is also confident of sustaining its competitive advantage in cross-border operations, being able to fully expand the Mainland China market and proactively advance preparations for establishing a Mainland China-incorporated bank. Through its well-organised operations in major economically developed regions, the Bank will strive to establish itself as an integrated commercial bank with the Greater Bay Area as the core of its nationwide operations.

## 2. The Grant of Connected Award Shares to Connected Grantees

(a) *Background and reasons of the Share Award Scheme*

On 27 February 2020, the Board resolved to adopt the Share Award Scheme, in which the Eligible Participants will be entitled to participate. The number of Award Shares to be granted under the Share Award Scheme throughout its duration is limited to 10% of the total number of issued Shares of the Bank as at the Grant Date.

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Share Award Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules and is a discretionary scheme of the Bank. No Shareholders' approval is required for the adoption of the Share Award Scheme.

According to the Announcement, the objectives of adopting the Share Award Scheme include:

- (i) to synchronize the Employees' perspectives with Shareholders through continuous Shares incentives;
- (ii) to ensure that the interests returned to the Employees in key positions are related to the Shareholders;
- (iii) to attract the right talents for promoting the future development of the Group;
- (iv) to reduce the turnover of the Employees in key positions, to strengthen the Group's performance; and
- (v) to reward the Employees who have made outstanding contributions in driving the continuous business operation and development of the Group.

*(b) Reasons for grant of Award Shares*

As disclosed in the Letter, the Share Award Scheme forms part of the incentive schemes of the Group. The Board considers that the grant of the Award Shares to the Selected Employees recognises and motivates the outstanding contributions made by them, in driving the continuous business operation and development of the Group, as well as reducing the turnover of the Selected Employees in key positions, and in strengthening the Group's performance.

We have discussed with the Directors of the Bank regarding the benefits of the granting of Award Shares as an incentive scheme. Apart from cash bonus which is already part of the Bank's incentive scheme and the Share Award Scheme, they have considered several alternative methods of providing incentives and awards to the Selected Employees, including the appropriateness of using share options, in particular in view of the existing shareholding structure of the Bank with Yuexiu Financial Holdings Limited, the controlling shareholder of the Bank holding 75% of the total issued share capital of the Bank. This results in the timing and proportion of new Shares to be issued among a group of Connected Grantees and Non-connected Grantees for incentive purpose must be strictly controlled by the Bank in order to ensure that the 25% minimum public float requirement pursuant to the Listing Rules can be fulfilled at all times.

After taking into consideration of (i) it will be generally more difficult to control the time of exercising the awards among the Connected Grantees and Non-connected Grantees in the case of share options and other alternative types of awards; and (ii) it is not an uncommon market practice for listed companies in Hong Kong to adopt share award scheme to

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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incentivise and/or reward their key personnel and employees, the Directors consider the granting of Award Shares to be the most appropriate given that, as opposed to the other alternatives, the granting of Award Shares will enable the Bank to add incentives to the Selected Employees to make future contribution to the operation of the Group.

In addition, the economic benefits of the award of the Award Shares are dependent on the improvement in the performances of the Group and hence the Selected Employees will benefit when all the other Shareholders also benefit, while the proposed allotment and issue of the Connected Award Shares represents a minimal dilution to the existing Shareholders. The Directors are thus of the view that the terms and conditions of the granting of the Connected Award Shares to the Connected Grantees and the proposed allotment and issue of new Award Shares are fair and reasonable and will further align the interests of the Selected Employees with the Bank together with the Shareholders as a whole.

(c) *Proposed issue of new Award Shares*

On 16 March 2020, in order to (i) align the interests of the Selected Employees with those of the Group through ownership of Shares; (ii) to encourage and retain the Selected Employees to make contributions to the long-term growth and profits of the Group; and (iii) recognize the Selected Employees' contribution to the Group, the Board resolved to grant a total of not more than 1,601,000 Award Shares to the Selected Employees, of which (i) 255,802 Award Shares will be granted to three Connected Grantees; and (ii) not more than 1,345,198 Award Shares will be granted to fifty-one Non-connected Grantees as follows:

<b>Category of Non-connected Grantees</b>	<b>Number of Non-connected Grantees</b>	<b>Number of Award Shares</b>
Senior management	3	86,438
Core management	12	474,319
Other employees	36	784,441
<b>Total:</b>	<b>51</b>	<b>1,345,198</b>

Save and except for two of the fifty-one Non-connected Grantees who are exempted as connected persons of the Bank pursuant to Rule 14A.09 of the Listing Rules and are therefore not connected persons of the Bank, none of the remaining forty-nine Non-connected Grantees is a director, chief executive whom is under the immediate authority of the Board, substantial shareholder of the Bank or any of its subsidiaries, or was a director of the Bank or any of its subsidiaries in the past 12 months, or any associate of the aforesaid persons.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Connected Award Shares granted to three Connected Grantees will be settled by way of allotment and issue of 255,802 new Award Shares pursuant to the Specific Mandate to be obtained in the 2020 AGM and the Award Shares granted to Non-connected Grantees will be settled by way of allotment and issue of not more than 1,345,198 new Award Shares pursuant to the 2019 General Mandate.

The aggregate of 255,802 new Connected Award Shares to be allotted and issued by the Bank to the Connected Grantees represent (i) approximately 0.026% of the total number of Shares in issue as of the Latest Practicable Date; and (ii) approximately 0.026% of the total number of Shares in issue as enlarged by the proposed allotment and issue of the new Connected Award Shares (assuming there is no change in the total number of Shares in issue of the Bank from the Latest Practicable Date up to the allotment date of the new Shares, other than the allotment and issue of the new Connected Award Shares).

The grant of Connected Award Shares to the Connected Grantees has been approved by all members of the Remuneration Committee. The Remuneration Committee and the Board (after consideration of the advice provided by the Remuneration Committee) has discretion to determine the Selected Employees (including Connected Grantees and Non-connected Grantees) and the amount of Award Shares to be granted to each of them, taking into account various factors, including without limitation, the contribution made by the Selected Employees to the Group's performance, his/her work experience, the individual's key performance indicator recorded in the balanced scorecard, job nature, internal grading, the importance of his/her position within the Group, the Group's overall business objectives, financial conditions, future development plans, qualitative assessments which include risk and culture assessments embedded in the performance assessment of the individual in a year, and other matters considered by the Board as relevant.

We have obtained and reviewed detailed terms of the Share Award Scheme and internal remuneration policy of the Bank, which sets out among others, (i) remuneration structure of the Bank; (ii) remuneration determination strategy of the Bank, including fixed remuneration and performance based measurements; (iii) rules governing the size and allocation of the Share Award Scheme. In addition, we have also obtained relevant documents and discussed with the management relating to calculation of Award Shares for all the Connected Grantees as well as sampling of relevant documents for ten Non-connected Grantees. As set out in the remuneration policy, Share Award Scheme forms part of the total remuneration package of the employees of the Bank. From the above documents, we noted that (i) the general remuneration principles applicable to the employees of the Bank (including Connected Grantees and Non-connected Grantees) and the calculation methodology of the Award Shares are performance based and systematically related to internal grading, job nature, importance of different roles, culture and risk assessment of relevant individual employees; (ii) the overall size of the Award Shares are based on business objective and financial performance of the Bank; and (iii) general awarding and vesting rules of the Share Award are identical amongst the Connected Grantees and Non-connected Grantees, which are consistent with factors considered and assessed by the Remuneration Committee as set out above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered (i) the retention of valuable personnel including the Connected Grantees is critical for maintaining a long term serving and experienced management team, which in turn is crucial for the development and expansion of the Group, (ii) it is beneficial for the Group to minimise any potential disruption to the existing operations of the Bank resulting from lack of continuity of an experienced management team; (iii) the general remuneration principles and rules are performance based and linked to the objective and performance of the Bank, and remuneration principles and rules including terms of the Share Award Scheme are identically applied to the Connected Grantees and Non-connected Grantees; and (iv) the Award Shares issued to the Selected Employees (including the Connected Grantees) will provide them with a direct economic interest in attaining a long-term relationship with the Group, we are of the view that the terms of the Share Award Scheme are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

(d) *Details of Connected Grantees*

The Board determined the Selected Employees (including the Connected Grantees) and the number of Award Shares granted to each of them with reference to their respective roles, responsibilities, work experience, contributions and remuneration packages.

The Connected Grantees, including two executive Directors and one director of certain subsidiaries of the Bank. The following table summarises the information of the Connected Grantees and the Award Shares to be granted to them:

Connected Grantees / Position	Responsibility and contributions to the Group	Number of Connected Award Shares	Market value of the Award Shares as at the Grant Date	Approximate percentage of Award Shares to the total issued Shares as at the Latest Practicable Date
<b>Mr. Zong Jianxin</b> <i>Executive Director, Deputy Chairman and Chief Executive of the Bank</i>	Leads the senior management in the day-to-day management of the Group's business in accordance with the business plans and within the budgets approved by the Board; provides overall leadership for the Group, implements (with the support of the senior management) the strategies and policies as approved by the Board and its committees in pursuit of the Group's objectives and promotes the highest standards of integrity, probity and corporate governance within the Group; oversees 11 different operating segments / support functions of the Group	168,659	HK\$1,872,114.9	0.017%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Connected Grantees / Position	Responsibility and contributions to the Group	Number of Connected Award Shares	Market value of the Award Shares as at the Grant Date	Approximate percentage of Award Shares to the total issued Shares as at the Latest Practicable Date
<b>Mr. Lau Wai Man</b> <i>Executive Director and Deputy Chief Executive of the Bank</i>	Reports to the chief executive of the Bank, and is responsible for overseeing 3 operating segments / support functions of the Group, 3 operating subsidiaries of the Group, as well as the Macau branch and an overseas representative office of the Bank	77,031	HK\$855,044.1	0.008%
<b>Mr. Woo Pak Kin, Clement</b> <i>Director of Chong Hing Insurance Company Limited, Chong Hing Securities Limited and Chong Hing Commodities and Futures Limited</i>	Chief risk officer of the Bank supervising the risk management function of the Group	10,112	HK\$112,243.2	0.001%
	<b>Total</b>	<b>255,802</b>	<b>HK\$2,839,402.2</b>	<b>0.026%</b>

We have reviewed professional background information of the Connected Grantees provided by the management of the Bank, all the Connected Grantees have over 20 years of experience in the banking sector and are instrumental to the management, operation and development of the Group. In particular, the Connected Grantees collectively possess banking, accounting, investment, legal, risk management and management expertise to enable them to oversee and supervise a wide spectrum of the Bank's businesses and corporate governance.

Biographies of the Connected Grantees are set out as follows:

Mr. Zong Jianxin has joined the Group for 5 years, he was appointed as an executive Director, the chief executive and the deputy chairman of the Bank in September 2015, April 2017 and May 2018 respectively. Mr. Zong Jianxin is responsible for leading the senior management in the day-to-day management of the Group's business in accordance with the business plans and within the budgets approved by the Board; provides overall leadership for the Group, implements (with the support of the senior management) the strategies and policies as approved by the Board and its committees in pursuit of the Group's objectives and promotes the highest standards of integrity, probity and corporate governance within

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the Group; oversees 11 different operating segments / support functions of the Group. Mr. Zong Jianxin holds a Master degree in business administration awarded by Shanghai Jiao Tong University. Mr. Zong Jianxin has over 20 years of banking experience, specialising in corporate banking, international business and investment banking business. Mr. Zong Jianxin is concurrently an executive director, the deputy chairman and chief executive of Yuexiu Financial Holdings Limited, being the controlling Shareholder of the Bank. He has been a director and the chief executive of Chong Hing Finance Limited, a wholly-owned subsidiary of the Bank, since August 2017. He was an executive director and alternate chief executive of Industrial and Commercial Bank of China (Asia) Limited (“ICBC Asia”) from October 2010 to May 2015, and was also a director of various subsidiaries of ICBC Asia from December 2010 to May 2015. Mr. Zong Jianxin held various positions in Industrial and Commercial Bank of China Limited, Shenzhen Branch from October 1999 to December 2009, with his last position as the Vice President of the aforesaid branch.

Mr. Lau Wai Man has joined the Group for 32 years, he was appointed as an executive Director of the Bank since August 2001 and was appointed as deputy managing director in May 2016, and such title was changed to deputy chief executive of the Bank in May 2018. He also acts as alternate chief executive of the Bank and Chong Hing Finance Limited (a wholly-owned subsidiary of the Bank). Mr. Lau Wai Man has been an executive director and alternate chief executive of Yuexiu Financial Holdings Limited (the immediate holding company of the Bank) since February 2014 and appointed as deputy chief executive since May 2018. Mr. Lau Wai Man is also a director of various subsidiaries of the Bank. Mr. Lau Wai Man reports to the chief executive of the Bank, and is responsible for overseeing 3 operating segments / support functions of the Group, 3 operating subsidiaries of the Group, as well as the Macau branch and an overseas representative office of the Bank. Mr. Lau Wai Man holds a Bachelor degree in law and a Master degree in business administration. Mr. Lau Wai Man is a vice president of the council of the Hong Kong Institute of Bankers, a Certified Financial Planner<sup>CM</sup> and a member of the Hong Kong Institute of Certified Public Accountants. He was a fellow of the Association of Chartered Certified Accountants and a senior associate of the Australian Institute of Bankers. Mr. Lau Wai Man joined the Bank as the chief auditor in 1988, and was the deputy chief executive officer from July 2007 to March 2013 and the chief executive officer from March 2013 to May 2016.

Mr. Woo Pak Kin, Clement joined the Group as the chief risk officer of the Bank in September 2019 and is a director of three of the Bank’s subsidiaries, namely Chong Hing Insurance Company Limited, Chong Hing Securities Limited and Chong Hing Commodities and Futures Limited. Mr. Woo Pak Kin, Clement is responsible for supervising the risk management functions of the Group. Mr. Woo Pak Kin, Clement holds a Bachelor degree in business administration from The Chinese University of Hong Kong and a Bachelor degree in applied accounting from Oxford Brookes University. Mr. Woo Pak Kin, Clement is a fellow member of the Association of Chartered Certified Accountants and a Chartered Financial Analyst. Prior to joining the Bank, he was the risk management director and head of risk management of a leading Chinese bank.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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When reviewing the recent financial performance of the Group, we note that in recent years, the Group's operation scale and profitability have been continuously growing at a strong rate. The Group's customers deposits has grown from approximately HK\$99,392 million as at 31 December 2015 to approximately HK\$162,665 million as at 31 December 2019, representing a compound annual growth rate ("CAGR") of 13.1%, the Group's advances made to customers grew from approximately HK\$63,600 million as at 31 December 2015 to approximately HK\$118,079 million as at 31 December 2019, representing a CAGR of 16.7%. Total interest income of the Group, being the major income source of the Group, has grew from approximately HK\$3,019 million for the year ended 31 December 2015 to approximately HK\$6,492 million for the year ended 31 December 2019, representing a CAGR of 21.1%, and profit attributable to Shareholders increased from approximately HK\$1,193 million for the year ended 31 December 2015 to approximately HK\$1,901 million for the year ended 31 December 2019 representing a CAGR of 12.4%.

As advised by the management of the Bank, Mr. Zong Jianxin and Mr. Lau Wai Man who oversee the overall operation and decisions making of the Bank are contributors who contributed to the Group's growth and success in recent years. The Board believes that the joining of Mr. Woo Pak Kin, Clement further strengthens the risk management and internal control of the Group, which is crucial in protecting the Group from exposure to potential risks and providing a solid foundation for the Group's future development.

The Connected Grantees are expected to continue to play important roles in the future business of the Group. Given the contributions, knowledge and experiences possessed by the Connected Grantees, the Board is of the view that it is crucial to retain the Connected Grantees for the future development of the Group.

### **3. Principal terms of the grant of the Award Shares**

The proposed allotment and issue of the Connected Award Shares to the Connected Grantees shall be subject to (i) the approval by the Independent Shareholders at the 2020 AGM in respect of the proposed allotment and issue of the Connected Award Shares and the transactions contemplated therein; (ii) the Stock Exchange having granted the approval for the listing of, and permission to deal in the Connected Award Shares; and (iii) fulfillment of the conditions as set out in the Scheme Rules and such conditions as specified by the Board.

#### *Duration*

Subject to any early termination as may be determined by the Board pursuant to the Scheme Rules, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date.

#### *Maximum limit*

The Board shall not make any further grant of Award Shares under the Share Award Scheme such that the total number of Award Shares granted under the Share Award Scheme will not exceed 10% of the total number of issued Shares of the Bank as at the Grant Date.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Vesting period of the Award Shares*

The Award Shares shall be vested in four tranches of which: (a) 25% of the Award Shares under the Award shall be vested in the first calendar year after the Grant Date during a period of continuous service with the Group; (b) 25% of the Award Shares under the Award shall be vested in the second calendar year of continuous service with the Group after the Grant Date; (c) 25% of the Award Shares under the Award shall be vested in the third calendar year of continuous service with the Group after the Grant Date; and (d) the remaining 25% of the Award Shares under the Award shall be vested in the fourth calendar year of continuous service with the Group after the Grant Date.

The vesting of the Award Shares is subject to the conditions as set out in the Scheme Rules and the fulfilment of such conditions as specified by the Board.

To assess the fairness and reasonableness on the proposed allotment and issue of Award Shares to the Non-connected Grantees and Connected Grantees and the vesting period of the Award Shares, we have, to our best effort and knowledge, firstly identified thirty-five banks, which are listed on the Main Board of the Stock Exchange. Out of the thirty-five banks identified, we noted twenty-eight banks are subject to regulation under China Banking Regulatory Commission (中國銀行業監督管理委員會) (the “CBRC”) and remuneration packages offered by these banks are regulated by CBRC and Chinese authorities which are quite different from those that are not subject to CBRC regulations but subject to regulations under Hong Kong Monetary Authority (“HKMA”), which is the case of the Bank. Out of the seven remaining banks which are listed on the Main Board of the Stock Exchange and subject to regulation of HKMA but not CBRC, three of the banks have share option schemes as part of their incentive remuneration package, three banks have a combination of share option schemes and share award schemes, and the remaining bank has no equity incentive scheme. As share option schemes normally have quite different terms and rules as compared to share award scheme, for instance, grantees under the share option scheme are normally required to pay at average market price to subscribe and convert share options into underlying shares, whereas grantees under share awards schemes are not required to pay for the awarded shares, we consider those three banks with share option schemes and the three- banks with a combination of share option scheme and share award scheme may not form a representative comparison for illustration and reference purpose to the Independent Shareholders.

As a result, we identified twenty-one comparable companies (“Comparables”) without limitation to the banking industry which are listed on the Main Board of the Stock Exchange and had announced the grant of awarded shares to their respective employees, senior management and connected person(s) in the 6-month period immediately before the Board resolved to grant the Award Shares (i.e. 16 September 2019) and up to the Latest Practicable Date (the “**Relevant Period**”). We consider that the Comparables could provide the Independent Shareholders with a general reference of companies listed on the Main Board of the Stock Exchange granting awarded shares and the length of the vesting period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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To the best of our knowledge, effort and endeavour and based on our search conducted according to the aforesaid criteria, the list of Comparables meeting the aforesaid criteria is exhaustive. Shareholders should note that the size, business nature, scale of operations and prospects of the Bank are not exactly the same as the Comparables and we have not conducted any in-depth investigation into the size, business nature, scale of operations and prospects of the Comparables. Nevertheless, given that this analysis is aiming at taking a general reference to the recent market practice in relation to similar type of transactions, we consider that our comparable analysis on the terms of the proposed allotment and issue of the Award Shares without limiting to companies that are with similar size, business nature and scale of operations as that of the Group is fair and reasonable and useful for the Independent Shareholders' reference.

Set out below is a comparison of the Comparables:

No.	Company name (stock code)	Date of announcement	Grantee(s)	Vesting date/period	Number of award shares / number of issued shares
1	Redsun Properties Group Limited (1996)	2-Apr-20	Total grantees not disclosed, including 3 connected persons	not disclosed	0.39%
2	Razer Inc. (1337)	1-Apr-20	Total grantees not disclosed, including 7 connected persons	25% on 25 March 2021 25% on 1 January 2022 25% on 1 January 2023 25% on 1 January 2024	1.05%
3	Fosun International Limited (656)	1-Apr-20	83 grantees, including 8 connected persons	33% on 1 April 2021 33% on 1 April 2022 34% on 1 April 2023	0.09%
4	CIFI Holdings (Group) Co. Ltd. (884)	30-Mar-20	1 grantee who is a connected person	on or after 31 March 2020	0.06%
5	WuXi Biologics (Cayman) Inc. (2269)	27-Mar-20	389 grantees, including 6 connected persons	not disclosed	0.18%
6	China Modern Dairy Holdings Ltd. (1117)	27-Mar-20	56 grantees, including 2 connected persons	not disclosed	0.31%
7	SITC International Holdings Company Limited (1308)	20-Mar-20	604 grantees, including 9 connected persons	100% on 20 March 2023 or an earlier date as approved by the issuer's board	0.25%
8	SmarTone Telecommunications Holdings Limited (315)	28-Feb-20	319 grantees, including 5 connected persons	30% on 28 February 2021 30% on 28 February 2022 40% on 28 February 2023	0.14%

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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No.	Company name (stock code)	Date of announcement	Grantee(s)	Vesting date/period	Number of award shares / number of issued shares
9	CStone Pharmaceuticals (2616)	31-Jan-20	101 grantees, including 1 connected person	<b>80% of the award shares:</b> 25% in the first anniversary of the relevant grant date; 75% in 36 equal monthly instalments thereafter <b>20% of the award shares:</b> 25% on the first anniversary of the relevant grant date; 25% on the second anniversary of the relevant grant date; 25% on the third anniversary of the relevant grant date; 25% on the fourth anniversary of the relevant grant date;	2.42%
10	Oshidori International Holdings Limited (622)	22-Jan-20	10 grantees, including 1 connected person	100% on 22 January 2024	1.63%
11	Edvantage Group Holdings Limited (382)	21-Jan-20	17 grantees, including 9 connected persons	not disclosed	0.18%
12	NetDragon Websoft Holdings Limited (777)	13-Jan-20	1 grantee who is a connected person	100% on 13 January 2020	0.02%
13	China Modern Dairy Holdings Ltd. (1117)	8-Jan-20	58 grantees, including 2 connected persons	not disclosed	0.31%
14	Galaxy Entertainment Group Limited (27)	30-Dec-19	Total grantees not disclosed, including 6 connected persons	30% on 30 December 2020 30% on 30 December 2021 40% on 30 December 2022	0.06%
15	Li & Fung Limited (494)	21-Nov-19	394 grantees, including 5 connected persons	5% of the award shares will be vested in three tranches with the vesting date on 31 December of each year from 2019 to 2021; 95% of the award shares will be vested in three tranches with the vesting date on 31 December of each year from 2020 to 2022	0.83%
16	Best Food Holding Company Limited (1488)	11-Nov-19	3 grantees who are connected persons	20% on 31 December 2019 20% on 31 December 2020 20% on 31 December 2021 20% on 31 December 2022 20% on 31 December 2023	2.75%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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No.	Company name (stock code)	Date of announcement	Grantee(s)	Vesting date/period	Number of award shares / number of issued shares
17	ANTA Sports Products Limited (2020)	5-Nov-19	124 grantees, including 1 connected person	20% on 1 May 2020 20% on 1 May 2021 20% on 1 May 2022 20% on 1 May 2023 20% on 1 May 2024	0.41%
18	Razer Inc. (1337)	1-Nov-19	All eligible employees including 3 connected persons	25% on 1 October 2020 25% on 1 October 2021 25% on 1 October 2022 25% on 1 October 2023	0.48%
19	Beijing Enterprises Water Group Limited (371)	26-Sep-19	181 grantees, including 5 connected persons	12-month period from the first anniversary date of final approval by the Board of the number of awarded Shares	0.15%
20	Li Ning Company Limited (2331)	19-Sep-19	2 grantees who are connected persons	<b>award shares to the chairman:</b> 34% on 1 September 2020 33% on 1 September 2021 33% on 1 September 2022 <b>award shares to an executive director:</b> 25% on 1 September 2020 17% on 1 September 2021 17% on 1 September 2022 16% on 1 September 2023 25% on 1 September 2024	0.12%
21	Shangri-La Asia Limited (69)	18-Sep-19	15 grantees, including 2 connected persons	39% of the award shares: 1 April 2019 to 1 April 2021 41% of the award shares: 1 April 2020 to 1 April 2022 20% of the award shares: 30 June 2019 to 1 April 2022	0.11%
	<b>The Bank</b>	<b>16-Mar-20</b>	<b>54 grantees, including 3 connected persons</b>	<b>25% on 16 March 2021</b> <b>25% on 16 March 2022</b> <b>25% on 16 March 2023</b> <b>25% on 16 March 2024</b>	0.16%

We noted that the size of award shares of the Comparables granted to their respective independent and connected grantees as at the date of relevant grant ranged between 0.02% and 2.75% of the total number of shares in issue on the date of announcement. The Award Shares represent approximately 0.16% of the total number of Shares in issue as at the Grant Date, which is within the respective range of the Comparables.

As shown from the table above, the vesting period of the Comparables ranged from one day to five years from the grant date, and six out of twenty-one Comparables have a vesting period of four years or more. The vesting period of the Award Shares is four years, which falls within the group of relative longer vesting period of the Comparables and is in line with the market practice.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We believe the relatively long vesting period (as compared with the Comparables) is linked to the continuing commitment and longer-term contribution of the grantees towards the development of the Bank, which would better serve the purpose of retaining the Selected Employees as well as reducing the financial burden of the Bank. We concur with the Directors that the terms of the proposed allotment and issue of the Award Shares are fair and reasonable so far as the Independent Shareholders are concerned.

### *Market price of the Award Shares*

Based on the closing price of HK\$11.10 per Share as quoted on the Stock Exchange as at 16 March 2020, being the date of the Announcement, the market value of 1,345,198 Award Shares granted to the Non-connected Grantees and the 255,802 Award Shares granted to the Connected Grantees were HK\$14,931,697.80 and HK\$2,839,402.20 respectively. Based on the closing price of HK\$10.38 per Share as quoted on the Stock Exchange as of the Latest Practicable Date, the market value of 1,345,198 new Award Shares granted to the Non-connected Grantees and the 255,802 new Award Shares granted to the Connected Grantees are HK\$13,963,155.24 and HK\$2,655,224.76 respectively. No funds will be raised by the Bank as a result of the proposed allotment and issue of the New Award Shares.

### *Restrictions*

Prior to the vesting date, any Award Shares granted to the Selected Employees shall not be transferred to others. The Selected Employees shall not sell, transfer, mortgage or charge any Award Shares in any way; nor may they impose any encumbrances on such Award Shares or set any interest for the benefit of any other person.

No grant of Award Shares shall be made by the Board when any Director is in possession of unpublished inside information in relation to the Bank or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws from time to time. The Board may not make an award of Shares pursuant to the Share Award Scheme to any Director during the periods or times in which the Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Bank.

### *Termination*

The Share Award Scheme shall terminate on the earlier of the 10th anniversary date of the Adoption Date or such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of the Selected Employees.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Ranking of the Award Shares*

The Award Shares, when issued and fully paid, shall rank *pari passu* among themselves and with the other Shares in issue, with rights to receive all dividends and other distributions declared, made or paid on or after the date of proposed allotment and issue.

### *Application for Listing*

Application will be made by the Bank to the Stock Exchange for the granting of the listing of, and permission to deal in, a total of 255,802 Connected Award Shares.

## **4. Effects of the Award Shares**

### *Financial effects of granting the Award Shares*

After the proposed allotment and issue of the Award Shares under the Share Award Scheme to the Selected Employees, the value of such Award Shares would be allocated and charged as expenses of the Group for the relevant financial year during the vesting period. No funds will be raised by the Bank as a result of the proposed allotment and issue of the Award Shares.

### *Dilution effect on the shareholding interests of the existing public Shareholders*

Upon the proposed allotment and issue of the Award Shares, the shareholding of the existing public Shareholders as at the Latest Practicable Date will be diluted from 25.00% to approximately 24.96%. Taking into account that (i) the benefit of the Award Shares in motivating the Selected Employees to devote their efforts to the continuous business operation and development of the Group; (ii) the Vesting Period is in line with the market practices and would provide incentives for the Selected Employees to be retained, and (iii) size of Award Shares representing approximately 0.16% of total issued shares of the Bank which is within the range of the Comparables from 0.02% and 2.75% of the total number of shares in issue, we are of the view that the dilution effect on the shareholding of existing public Shareholdings as a result of the proposed allotment and issue of the Award Shares acceptable.

### *Public float*

After issuance of the Award Shares to the Connected Grantees and Non-connected Grantees, the public float of the Company will be increased from 25% to 25.1%. As set out in the Letter, the Group has adopted internal measures in ensuring the public float requirement of 25% will be met at all times, such as (i) granting of Award Shares to both Connected Grantees and Non-connected Grantees at the same time in respective proportions in maintaining public float requirement; and (ii) exercise discretion in paying cash award in lieu of shares awards to connected grantees upon vesting where appropriate, we consider relevant arrangement feasible and measures are in place to maintain the minimum public float of the Bank as required under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the principal factors and reasons described above, we are of the opinion that albeit the proposed allotment and issue of the Connected Award Shares to the Connected Grantees are not conducted in the ordinary and usual course of business of the Bank, the terms of the proposed allotment and issue of the Connected Award Shares to the Connected Grantees are on normal commercial terms, which are fair and reasonable and in the interests of the Bank and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution(s) to be proposed at the 2020 AGM to approve the proposed allotment and issue of the Connected Award Shares to the Connected Grantees and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**YU MING INVESTMENT MANAGEMENT LIMITED**  
**Warren Lee**  
*Managing Director*

*Mr. Warren Lee of Yu Ming Investment Management Limited is a responsible officer of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has been active in the field of corporate finance advisory for over 20 years, and has been involved in and completed various corporate finance advisory transactions.*



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## NOTICE OF 2020 AGM

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**NOTICE IS HEREBY GIVEN THAT** the annual general meeting of Chong Hing Bank Limited (the “Bank”) will be held at the 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong on Friday, 15 May 2020 at 11 a.m. for the following purposes:

- (1) To receive the audited Consolidated Financial Statements, the Report of the Directors and the Independent Auditor’s Report for the year ended 31 December 2019.
- (2) To declare a final cash dividend of HK\$0.41 per share for the year ended 31 December 2019.
- (3)
  - (i) To re-elect Mr LAU Wai Man as Executive Director.
  - (ii) To re-elect Mr CHOW Cheuk Yu Alfred as Non-executive Director.
  - (iii) To re-elect Mr LEE Ka Lun as Independent Non-executive Director.
- (4) To re-appoint PricewaterhouseCoopers as the Auditor of the Bank and to authorise the directors of the Bank to fix its remuneration.

As special business, to consider and, if thought fit, pass with or without modification, the following resolutions as ordinary resolutions:

(5) **THAT**

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Bank during the Relevant Period (as defined below) of all the powers of the Bank to buy back Shares (as defined below), subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the total number of Shares which may be bought back on The Stock Exchange of Hong Kong Limited or any other stock exchange recognised for this purpose by the Securities and Futures Commission and The Stock Exchange of Hong Kong Limited under the Code on Share Buy-backs pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent of the aggregate number of Shares in issue as at the date of passing this resolution and the said approval shall be limited accordingly; and
- (c) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Bank;

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## NOTICE OF 2020 AGM

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- (ii) the expiration of the period within which the next annual general meeting of the Bank is required by law to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Bank in general meeting.

“Shares” means shares in the capital of the Bank.

**(6) THAT**

- (a) subject to paragraph (c) of this resolution and pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Bank during the Relevant Period (as defined below) of all the powers of the Bank to allot, issue and deal with additional Shares (as defined below) and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Bank during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Bank pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); (ii) any scrip dividend or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares of the Bank in accordance with the Articles of Association of the Bank; (iii) an issue of Shares upon the exercise of options granted under any share option scheme or similar arrangement for the time being adopted by the Bank; or (iv) the exercise of any rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or similar rights issued by the Bank or any securities which are convertible into Shares, shall not exceed the aggregate of:
  - (aa) 20 per cent of the total number of Shares in the capital of the Bank in issue as at the date of passing this resolution; and
  - (bb) conditional upon the passing of Resolution 5, the aggregate number of Shares bought back by the Bank pursuant to the exercise by the directors of the powers of the Bank in accordance with the said Resolution 5,

and the said approval shall be limited accordingly; and

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## NOTICE OF 2020 AGM

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(d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Bank;
- (ii) the expiration of the period within which the next annual general meeting of the Bank is required by law to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Bank in general meeting.

“Rights Issue” means an offer of Shares or an issue of options, warrants or other securities giving the right to subscribe for Shares open for a period fixed by the directors of the Bank to holders of Shares on the register of members on a fixed record date in proportion to their then holdings of such Shares (subject to such exclusion or other arrangements as the directors of the Bank may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong).

“Shares” means shares in the capital of the Bank.

(7) **THAT**, conditional upon the passing of Resolutions 5 and 6, the directors of the Bank be and are hereby authorised to exercise the powers of the Bank referred to in paragraph (a) of Resolution 6 in respect of the aggregate number of Shares of the Bank referred to in sub-paragraph (bb) of paragraph (c) of Resolution 6.

(8) **THAT**

- (a) conditional upon The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in an aggregate of 255,802 new Shares of the Bank (the “**Connected Award Shares**”), the directors of the Bank be and are hereby granted a specific mandate (the “**Specific Mandate**”) for the proposed allotment and issue of the Connected Award Shares to the Connected Grantees pursuant to the Specific Mandate. The Connected Grantees are directors of the Bank and/or director of certain subsidiaries of the Bank, accordingly are connected persons (as defined in Chapter 14A of the Listing Rules) of the Bank, and are selected by the Board for participation in the share award scheme adopted by the Bank on 27 February 2020 (the “**Share Award Scheme**”) (a copy of which has been produced at the 2020 annual general meeting marked “A” and signed by the chairman of the 2020 annual general meeting for the purpose of identification); and
- (b) any one of the directors of the Bank be and is hereby authorised for and on behalf of the Bank to take any action and execute such other documents as he/she considers necessary, desirable or expedient to carry out or give effect to or otherwise in connection with the proposed allotment and issue of the Connected Award Shares to the Connected Grantees under the Specific Mandate and the transactions contemplated thereunder.

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## NOTICE OF 2020 AGM

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- (9) **THAT**, the grant of 168,659 Connected Award Shares pursuant to the Share Award Scheme to Mr ZONG Jianxin be and is hereby approved and confirmed.
- (10) **THAT**, the grant of 77,031 Connected Award Shares pursuant to the Share Award Scheme to Mr LAU Wai Man be and is hereby approved and confirmed.
- (11) **THAT**, the grant of 10,112 Connected Award Shares pursuant to the Share Award Scheme to Mr WOO Pak Kin Clement be and is hereby approved and confirmed.

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

Hong Kong, 14 April 2020

*Notes:*

- (i) A shareholder entitled to attend and vote at the 2020 annual general meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy does not have to be a shareholder of the Bank. Proxy forms are to be lodged with the Bank's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time for the holding of the 2020 annual general meeting and any adjournment thereof.
- (ii) For the purpose of ascertaining the shareholders who are entitled to attend and vote at the 2020 annual general meeting, the register of members of the Bank will be closed from Monday, 11 May 2020 to Thursday, 14 May 2020 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending and voting at the 2020 annual general meeting, all transfer documents, together with the relevant share certificates, must be lodged for registration with the Bank's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Friday, 8 May 2020.
- (iii) For the purpose of ascertaining the shareholders who are qualified to receive the final cash dividend, the register of members of the Bank will be closed from Friday, 22 May 2020 to Tuesday, 26 May 2020 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for receiving the 2019 final cash dividend, all transfer documents, together with the relevant share certificates, must be lodged for registration with the Bank's share registrar and transfer office, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Thursday, 21 May 2020.
- (iv) The biographical details of the retiring directors of the Bank who offer themselves for re-election at the 2020 annual general meeting and the Explanatory Statement containing information on the renewal of the general mandate for the buy-back by the Bank of its own shares are set out in the circular of which this notice forms part.
- (v) If a Typhoon Signal No. 8 or above is hoisted or a Black Rainstorm Warning Signal is in force at or at any time after 8 am on the date of the 2020 annual general meeting, the meeting will be postponed or adjourned. The Bank will post an announcement on the Bank's website ([www.chbank.com](http://www.chbank.com)) and Hong Kong Exchanges and Clearing Limited's website ([www.hkexnews.hk](http://www.hkexnews.hk)) to notify shareholders of the date, time and place of the rescheduled meeting.

The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.

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## NOTICE OF 2020 AGM

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*As of the date of this notice, the board of the directors of the Bank comprises:*

- *Executive Directors*

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

- *Non-executive Directors*

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

- *Independent Non-executive Directors*

*Mr Cheng Yuk Wo, Mr Ma Chiu Cheung Andrew, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph.*

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## APPENDIX 1 — BIOGRAPHICAL DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

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Biographical details of the retiring Directors proposed to be re-elected at the 2020 AGM are set out as follows:

### **Mr LAU Wai Man**

Aged 61, has been appointed an Executive Director of the Bank since August 2001 and was appointed as Deputy Managing Director in May 2016, and such title was changed to Deputy Chief Executive of the Bank in May 2018. Mr Lau also acts as Alternate Chief Executive of the Bank and Chong Hing Finance Limited (a wholly-owned subsidiary of the Bank). He has been an Executive Director and Alternate Chief Executive of Yuexiu Financial Holdings Limited (the immediate holding company of the Bank) since February 2014 and appointed as Deputy Chief Executive since May 2018. Mr Lau is also a Director of various subsidiaries of the Bank. Mr Lau joined the Bank as the Chief Auditor in 1988, and was Deputy Chief Executive Officer from July 2007 to March 2013 and Chief Executive Officer from March 2013 to May 2016. Before joining the Bank, he had worked for an international bank and a global accounting firm.

Mr Lau holds a Bachelor of Law degree and a Master of Business Administration degree. He is a Vice President of the Council of the Hong Kong Institute of Bankers, a Certified Financial Planner<sup>CM</sup> and a member of the Hong Kong Institute of Certified Public Accountants. He was a fellow of the Association of Chartered Certified Accountants and a senior associate of the Australian Institute of Bankers.

As of the Latest Practicable Date, Mr Lau does not have any interest or short position in the shares or underlying shares of the Bank or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr Lau has not held any other directorships in other Hong Kong or overseas listed public companies in the last three years. Other than the positions disclosed above, he does not hold any position in the Bank or any of its subsidiaries and does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Bank.

Mr Lau, who has not entered into any service contract with the Bank and has no specific term of office, shall retire by rotation but shall then be eligible for re-election under the Articles. Details of Mr Lau's remuneration<sup>(Note)</sup> are set out in note 43 to the consolidated financial statements in the Bank's Annual Report 2019.

Save as disclosed above, there is no other information about Mr Lau that is required to be disclosed pursuant to Rule 13.51(2)(h) - (v) of the Listing Rules, and there are no other matters in relation to his re-election that need to be brought to the attention of the shareholders of the Bank.

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## APPENDIX 1 — BIOGRAPHICAL DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

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**Mr CHOW Cheuk Yu Alfred** BBS, JP

Aged 69, has been a Board member of the Bank since February 2003, and was re-designated from Independent Non-executive Director to Non-executive Director of the Bank in September 2004. Mr Chow has been a Non-executive Director of Yuexiu Financial Holdings Limited (the immediate holding company of the Bank) since February 2014. He is also the Chairman and a Non-executive Director of Chong Hing Insurance Company Limited, a wholly-owned subsidiary of the Bank. With 17 years' working experience in the civil service and over 30 years as a solicitor, Mr Chow is presently the senior partner of Kwan & Chow, Solicitors in Hong Kong. He is also a China-Appointed Attesting Officer. Mr Chow is a director and legal advisor of Hong Kong Chiu Chow Chamber of Commerce Limited and Federation of HK Chiu Chow Community Organizations Limited; and legal advisor to Jao Tsung-I Petite Ecole Fan Club and various community bodies. He was the Chairman of the HKSAR Passports Appeal Board and Chief Adjudicator of the Registration of Persons Tribunal, and currently serves on other statutory boards.

Mr Chow graduated from The University of Hong Kong with a Bachelor of Laws degree and a Master of Social Sciences (Public Administration) degree.

As of the Latest Practicable Date, Mr Chow does not have any interest or short position in the shares or underlying shares of the Bank or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr Chow has not held any other directorships in other Hong Kong or overseas listed public companies in the last three years. Other than the positions disclosed above, he does not hold any position in the Bank or any of its subsidiaries and does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Bank.

Mr Chow, who has not entered into any service contract with the Bank and has no specific term of office, shall retire by rotation but shall then be eligible for re-election under the Articles. Details of Mr Chow's remuneration<sup>(Note)</sup> are set out in note 43 to the consolidated financial statements in the Bank's Annual Report 2019.

Save as disclosed above, there is no other information about Mr Chow that is required to be disclosed pursuant to Rule 13.51(2)(h) - (v) of the Listing Rules, and there are no other matters in relation to his re-election that need to be brought to the attention of the shareholders of the Bank.

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## APPENDIX 1 — BIOGRAPHICAL DETAILS OF DIRECTORS STANDING FOR RE-ELECTION

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### Mr LEE Ka Lun

Aged 64, has been an Independent Non-executive Director of the Bank since February 2014. Mr Lee has been an Independent Non-executive Director of Yuexiu Financial Holdings Limited (the immediate holding company of the Bank) since November 2013. He is also an Independent Non-executive Director of Yuexiu Property Company Limited (“Yuexiu Property”, Stock Code: 00123), Chow Sang Sang Holdings International Limited (Stock Code: 00116), Medicskin Holdings Limited (Stock Code: 08307), Ever Harvest Group Holdings Limited (Stock Code: 01549) and Best Mart 360 Holdings Limited (Stock Code: 02360), all of which are listed on the Stock Exchange. He was an Independent Non-executive Director of REXLot Holdings Limited (Stock Code: 00555), a company listed on the Stock Exchange, from April 2007 to June 2018.

Mr Lee is an accountant by profession and is a Fellow of the Association of Chartered Certified Accountants in the UK. He has over 20 years of experience in banking and auditing.

As of the Latest Practicable Date, Mr Lee has interested in 3,200,000 shares in Yuexiu Property (an associated corporation of the Bank) within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, Mr Lee has not held any other directorships in other Hong Kong or overseas listed public companies in the last three years. Other than the positions disclosed above, he does not hold any position in the Bank or any of its subsidiaries and does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Bank.

Mr Lee, who has not entered into any service contract with the Bank and has no specific term of office, shall retire by rotation but shall then be eligible for re-election under the Articles. Details of Mr Lee’s remuneration<sup>(Note)</sup> are set out in note 43 to the consolidated financial statements in the Bank’s Annual Report 2019.

Save as disclosed above, there is no other information about Mr Lee that is required to be disclosed pursuant to Rule 13.51(2)(h) - (v) of the Listing Rules, and there are no other matters in relation to his re-election that need to be brought to the attention of the shareholders of the Bank.

(Note): The remuneration was determined by the Remuneration Committee of the Bank with reference to the duties as a Director of the Bank and the current market situation. Some of the Directors received additional remuneration for their duties as chairmen or members of the committees of the Bank.



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## APPENDIX 2 — EXPLANATORY STATEMENT ON THE BUY-BACK MANDATE

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This Appendix serves as an explanatory statement required to be sent to the Shareholders under the Listing Rules in connection with the Buy-back Mandate and also constitutes the memorandum required under Section 239(2) of the Companies Ordinance.

### 1. SHARE CAPITAL

As at the Latest Practicable Date, the number of Shares in issue was 972,526,094 Shares. Subject to the passing of the resolution in relation to the Buy-back Mandate and on the basis that no further Shares are issued and/or bought back by the Bank following the Latest Practicable Date and up to the date of the 2020 AGM, exercise in full of the Buy-back Mandate would result in up to 97,252,609 Shares being bought back by the Bank during the period from the date of passing of Resolution 5 in the notice of the 2020 AGM set out on pages 39 to 43 of this circular up to whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Bank; or
- (ii) the expiration of the period within which the next annual general meeting of the Bank is required by law to be held; or
- (iii) the revocation or variation of the authority given under Resolution 5 by an ordinary resolution of the Shareholders in general meeting.

### 2. REASONS FOR THE BUY-BACK

The Directors believe that it is in the best interests of the Bank and its Shareholders as a whole to have a general authority from the Shareholders to enable the Bank to buy back the Shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the Bank's net asset value and/or its earnings per Share and will only be made when the Directors believe that such buy-backs will benefit the Bank and the Shareholders as a whole.

### 3. FUNDING OF BUY-BACK

In buying back Shares, the Bank may only apply funds legally available for such purpose in accordance with its Articles, the applicable laws of Hong Kong and the Listing Rules.

There might be a material adverse impact on the working capital or gearing position of the Bank (as compared with the position disclosed in the Annual Report for the year ended 31 December 2019) in the event that the Buy-back Mandate is exercised in full at any time. However, the Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Bank or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Bank.

**4. GENERAL**

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Bank if the Buy-back Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws of Hong Kong.

If, as a result of any buy-back of Shares, a Shareholder's proportionate interest in the voting rights of the Bank increases, such increase will be treated as an acquisition of voting rights for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), could obtain or consolidate control of the Bank and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

Based on the disclosure made to the Bank under Part XV of the Securities and Futures Ordinance, as at the Latest Practicable Date, Yuexiu Financial Holdings Limited is interested in 729,394,500 Shares, representing 75 per cent of the number of Shares in issue of the Bank.

If the Directors were to exercise the Buy-back Mandate in full, the percentage shareholding of Yuexiu Financial Holdings Limited would be increased from 75 per cent to approximately 83.33 per cent of the number of Shares in issue of the Bank. Such an increase would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeovers Code.

The Directors, however, have no present intention of exercising the Buy-back Mandate in such a way (if it were to be exercised at all) that would result in the public shareholding falling below the minimum percentage prescribed under the Listing Rules.

No core connected persons (as defined in the Listing Rules) have notified the Bank that they have a present intention to sell any Shares to the Bank, or have undertaken not to do so, if the Buy-back Mandate is approved by the Shareholders.

**5. SHARE BUY-BACK MADE BY THE BANK**

No buy-back has been made by the Bank of its Shares in the six months before the Latest Practicable Date.

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**APPENDIX 2 — EXPLANATORY STATEMENT ON THE BUY-BACK MANDATE**

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**6. SHARE PRICES**

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months before and up to the Latest Practicable Date were as follows:

	Price per share	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2019</b>		
April	14.90	14.36
May	14.88	13.20
June	13.82	13.00
July	13.98	13.24
August	13.98	12.58
September	13.88	12.90
October	13.88	12.94
November	13.56	12.82
December	13.58	12.96
<b>2020</b>		
January	13.34	12.28
February	12.86	11.76
March	12.04	9.90
April ( <i>up to and including the Latest Practicable Date</i> )	10.50	10.04

## APPENDIX 3 — GENERAL INFORMATION

### 1. RESPONSIBILITY STATEMENT

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

### 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As of the Latest Practicable Date, the interests and short positions of the Directors (including the Chief Executive) of the Bank in the Shares, underlying Shares and debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and shorts position which the Directors and the Chief Executive were deemed or taken to have under provisions of the SFO), or which were required to be and are recorded in the register (the “**Register**”) required to be kept by the Bank pursuant to section 352 of the SFO, or which were required to be notified to the Bank and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the “**Model Code**”) were as follows:

#### INTERESTS IN SHARES

Number of ordinary shares held, nature and capacity of interests							
Name of Director	Name of Associated Corporation	Long/short position	Personal Interests (held as beneficial owner)	Family Interests		Corporate Interests (interest of corporation)	Approximate percentage of interests (Note 1)
				(interest of spouse or child under 18)	(interest of controlled corporation)		
Li Feng	Yuexiu Property Company Limited	Long position	172,900	—	—	172,900	0.001%
Lee Ka Lun	Yuexiu Property Company Limited	Long position	3,200,000	—	—	3,200,000	0.021%
Yu Lup Fat Joseph	Yuexiu Property Company Limited	Long position	4,000,000	—	—	4,000,000	0.026%

*Note:*

- The approximate percentage of interests held was calculated on the basis of 15,482,280,438 ordinary shares of Yuexiu Property Company Limited in issue as at the Latest Practicable Date.

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## APPENDIX 3 — GENERAL INFORMATION

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Save as disclosed above, as of the Latest Practicable Date, to the knowledge of the Bank, none of the Directors (including the Chief Executive) of the Bank had any other interests or short positions in any Shares, underlying Shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Bank and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the Register, or as notified to the Bank and the Stock Exchange pursuant to the Model Code.

Saved as disclosed above, as of the Latest Practicable Date, none of the Directors (including the Chief Executive) of the Bank and their spouses or children under the age of 18 was granted, or exercised, any right to subscribe for shares in or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO).

### 3. DIRECTORS' INTERESTS

- (a) None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (b) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.
- (c) None of the Directors or the Chief Executive of the Bank and their respective close associates (as defined in the Listing Rules) has any competing interests which would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder of the Bank.

### 4. SERVICE CONTRACTS

None of the Directors has any existing or proposed service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## APPENDIX 3 — GENERAL INFORMATION

### 5. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

#### Long position in the Shares, underlying shares and debentures of the Bank

So far as is known to any Directors or the Chief Executive of the Bank, as of the Latest Practicable Date, the following person had interests or short positions in the Shares or underlying Shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank under Section 336 of the SFO, or as otherwise notified to the Bank and the Stock Exchange:

Name	Capacity	Number of Shares held	Approximate percentage of issued share capital (Note 1)
Yuexiu Financial Holdings Limited (Note 2)	Beneficial Owner	729,394,500	75
Yue Xiu Enterprises (Holdings) Limited (Note 2)	Interest of corporation controlled	729,394,500	75
Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司) (Note 2)	Interest of corporation controlled	729,394,500	75
Guangzhou Metro Group Co., Ltd.* (廣州地鐵集團有限公司) (Note 3)	Interest of corporation controlled	70,126,000	7.21

Notes:

- As of the Latest Practicable Date, the total number of issued share capital of the Bank is 972,526,094 Shares.
- Yuexiu Financial Holdings Limited, Yue Xiu Enterprises (Holdings) Limited and Guangzhou Yue Xiu Holdings Limited\* (廣州越秀集團股份有限公司) are legally and beneficially owned as to 75% by 729,394,500 Shares.
- Pursuant to the SFO, 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.\*) is deemed to be interested in 70,126,000 Shares of the Bank as a result of its indirect holding of such Shares through its wholly-owned subsidiary, details of which were as follows:

Name of shareholder	Long position in Shares
Guangzhou Metro Investment Finance (HK) Limited (Note (i))	70,126,000

Note:

- 70,126,000 Shares of the Bank were held by Guangzhou Metro Investment Finance (HK) Limited, which is wholly-owned by 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.\*). Guangzhou Metro Investment Finance (HK) Limited and 廣州地鐵集團有限公司 (Guangzhou Metro Group Co., Ltd.\*) are legally and beneficially owned as to 7.21% by 70,126,000 Shares.

\* for identification purpose only

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## APPENDIX 3 — GENERAL INFORMATION

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Save as disclosed above, as of the Latest Practicable Date, there was no other person who had an interest or short position in the Shares or underlying Shares of the Bank which would fall to be disclosed to the Bank under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Bank under Section 336 of the SFO, or as otherwise notified to the Bank and the Stock Exchange.

### 6. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors confirmed that there was not any material adverse change in the financial or trading position of the Group since 31 December 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.

### 7. MATERIAL LITIGATION

No member of the Group was engaged in any litigation or claims of material importance, and no such litigation or claim of material importance was known to the Directors to be pending or threatened by or against any members of the Group, as of the Latest Practicable Date.

### 8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Yu Ming Investment Management Limited	a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

As of the Latest Practicable Date, the Independent Financial Adviser did not have (i) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (ii) any direct or indirect interest in any assets which had, since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

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## APPENDIX 3 — GENERAL INFORMATION

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### 9. GENERAL

- (a) The authorised share capital of the Bank is HK\$ nil.
- (b) The share registrar and transfer office of the Bank is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary of the Bank is Ms Lai Wing Nga, who is a fellow of the Hong Kong Institute of Chartered Secretaries.
- (d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

### 10. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection during normal business hours at the registered office of the Bank at Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong from the date of this circular up to and including the date of the 2020 AGM:

- (a) a copy of the Share Award Scheme;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed allotment and issue of the Connected Award Shares to the Connected Grantees and the Specific Mandate;
- (d) the letter of consent referred to in the paragraph headed "Qualification and Consent of Expert" in this appendix;
- (e) the Articles;
- (f) the annual reports of the Bank for the two financial years ended 31 December 2018 and 2019 respectively; and
- (g) this circular.