
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 2021 ANNUAL GENERAL MEETING

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



Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 5 to 17 of this circular. A letter from the Independent Board Committee, containing its recommendation to the Independent Shareholders, is set out on page 18 of this circular, and a letter of advice from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 37 of this circular.

The notice convening the 2021 AGM at the 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong on Friday, 14 May 2021 at 11 a.m., is set out on pages 38 to 42 of this circular. A proxy form for use at the 2021 AGM is also enclosed.

Whether or not you are able to attend the 2021 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 but 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) or HKEx’s website (www.hkexnews.hk). Submission of a proxy form will not preclude you from attending and voting in person at the 2021 AGM (or any adjournment of such meeting) should you so wish.

PRECAUTIONARY MEASURES FOR THE 2021 AGM

Please see pages ii and iii of this circular for the precautionary measures to be implemented at the 2021 AGM to ensure the safety of the attendees and to prevent the spreading of the COVID-19 pandemic, which include without limitation:

- Limiting the number of the 2021 AGM attendees to avoid over-crowding;
- Compulsory body temperature screening/checks before entering the building where the 2021 AGM will be held;
- Compulsory wearing of face masks;
- Maintaining an appropriate social distancing between seats; and
- No distribution of gifts and no refreshments.

Shareholders are strongly encouraged to appoint the chairman of the 2021 AGM as their proxy and to return their proxy forms by the time specified above, instead of attending the 2021 AGM in person.

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PRECAUTIONARY MEASURES FOR THE 2021 AGM

In consideration of the continuing risk posed by the coronavirus disease (COVID-19) and to manage the potential health risks of persons attending the 2021 AGM, the Bank will implement the following precautionary measures at the 2021 AGM:

- (1) Only a limited number of seats will be available in the 2021 AGM venue in order to ensure social distancing and therefore, where necessary, the Bank may limit the number of attendees entering the 2021 AGM venue;
- (2) Compulsory body temperature screening / checks will be conducted on every attendee at the main entrance of the 2021 AGM venue. Any person with a body temperature of over 37.2 degrees Celsius **WILL NOT** be admitted to the 2021 AGM venue;
- (3) Every attendee is required to wear a face mask at any time within the 2021 AGM venue;
- (4) Seating at the 2021 AGM venue will be arranged so as to allow for appropriate social distancing;
- (5) **NO** gifts, food and beverages will be provided at the 2021 AGM; and
- (6) Any other additional precautionary measures in accordance with the prevailing requirements or guidelines of The Government of Hong Kong (the “Government”) and / or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic.

Any attendee who (a) refuses to comply with the precautionary measures; (b) is subject to any prescribed quarantine by the Government or has close contact with any person under quarantine; or (c) has any flu-like symptoms or is otherwise unwell will be denied entry into or be required to leave the 2021 AGM venue at the absolute discretion of the Bank as permitted by law.

Shareholders are requested (a) to consider carefully the risk of attending the 2021 AGM, which will be held in an enclosed environment, (b) to follow any prevailing requirements or guidelines of the Government relating to COVID-19 in deciding whether or not to attend the 2021 AGM; and (c) not to attend the 2021 AGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

Shareholders are strongly encouraged by the Bank to appoint the chairman of the 2021 AGM as their proxy to vote on the resolutions, instead of attending the 2021 AGM in person.

Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the Government and/or regulatory authorities, the Bank may announce further updates on the 2021 AGM arrangement on the Bank’s website (www.chbank.com) as and when appropriate.

PRECAUTIONARY MEASURES FOR THE 2021 AGM

If Shareholders have any questions relating to the 2021 AGM, please contact the Bank's share registrar and transfer office, as follows:

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre

183 Queen's Road East, Wan Chai

Hong Kong

Tel: +852 2862 8555

Fax: +852 2865 0990

Enquiries: www.computershare.com/hk/en/online_feedback

DEFINITIONS

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:

“2020 AGM”	the annual general meeting of the Bank held on 15 May 2020
“2020 General Mandate”	the general mandate granted by the Shareholders to the Directors to allot, issue and otherwise deal with new Shares at the 2020 AGM
“2021 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, 14 May 2021 at 11 a.m., notice of which is set out on pages 38 to 42 of this circular
“Articles of Association”	the articles of association of the Bank
“Announcement”	the announcement dated 16 March 2021 in respect of the (i) grant of Award Shares; (ii) proposed issue of new Shares under the Share Award Scheme pursuant to 2020 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”	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
“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 2021 AGM set out on pages 38 to 42 of this circular
“Companies Ordinance”	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended from time to time
“Connected Award Shares”	49,837 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

DEFINITIONS

“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Bank
“Eligible Participant(s)”	the following full-time Employee(s) of the Group: <ul style="list-style-type: none">(i) Executive Director(s);(ii) Senior management, includes Chief Executive, Deputy Chief Executive, Chief Financial Officer, Chief Operating Officer and Chief Risk Officer;(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, except those categorised as “senior management”;(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(v) Employee(s) determined by the Board from time to time
“Employee(s)”	any full-time employee(s) of the Group
“Excluded Employee(s)”	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 Nomination and 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”	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”	the Bank and all of its subsidiaries
“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

DEFINITIONS

“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 new Shares to the Connected Grantees, the Specific Mandate and transactions contemplated thereunder
“Independent Financial Adviser”	Pelican Financial 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 new 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 2021 AGM set out on pages 38 to 42 of this circular
“Latest Practicable Date”	8 April 2021, 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
“Nomination and Remuneration Committee”	the nomination and 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 Nomination and Remuneration Committee has six members, comprising Mr Yu Lup Fat Joseph as the chairman of the Nomination and Remuneration Committee, Mr Zhang Zhaoxing, Mr Chow Cheuk Yu Alfred, Mr Cheng Yuk Wo, Mr Ma Chiu Cheung Andrew and Mr Lee Ka Lun as members of the Nomination and Remuneration Committee
“Non-connected Grantees”	the Selected Employees who are not connected with the Bank or connected persons of the Bank
“Scheme Rules”	the rules governing the Share Award Scheme adopted by the Board, as amended from time to time

DEFINITIONS

“Selected Employee(s)”	any Eligible Participant(s) (excluding the Excluded Employee(s)) selected by the Board with full discretion (after consideration of the advice provided by the Nomination and 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”	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 2021 AGM to grant the authority to the Board for the proposed allotment and issue of 49,837 new Shares to the Connected Grantees
“Stock Exchange”	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.

LETTER FROM THE BOARD



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, 15 April 2021

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 2021 ANNUAL GENERAL MEETING

1. INTRODUCTION

The purpose of this circular is to provide you with notice of the 2021 AGM together with the relevant information regarding certain resolutions to be proposed at the 2021 AGM to enable you to make an informed decision on whether to vote for or against those resolutions. At the 2021 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 2021 AGM and are set out in the notice of 2021 AGM as contained in this circular.

LETTER FROM THE BOARD

2. RE-ELECTION OF DIRECTORS

In accordance with Article 100 of the Articles of Association and code provision A.4.2 of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules, Messrs. Li Feng, Cheng Yuk Wo and Ma Chiu Cheung Andrew shall retire by rotation at the 2021 AGM. Each of Messrs. Li Feng and Cheng Yuk Wo, being eligible, has indicated his willingness to offer himself for re-election at the 2021 AGM. On 4 March 2021, the Bank has announced that Mr Ma Chiu Cheung Andrew would not seek for re-election at the 2021 AGM as he would like to devote more time to his family and would retire from office after the conclusion of the 2021 AGM. Pursuant to Article 101 of the Articles of Association, a resolution will be proposed at the 2021 AGM to resolve not to fill up the vacated office resulting from the retirement of Mr Ma Chiu Cheung Andrew as Independent Non-executive Director as at the date of the 2021 AGM until a later time as announced by the Bank.

The Nomination and Remuneration Committee, has considered the background, skills, knowledge and experience of Messrs. Li Feng and Cheng Yuk Wo 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. Li Feng and Cheng Yuk Wo 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.

The Bank has received the annual confirmation of independence provided by each Independent Non-executive Director and the Nomination and Remuneration Committee 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. Particular attention was given to assessing the independence of Mr Cheng Yuk Wo, who has served as an Independent Non-executive Director of the Bank for more than nine years. During his tenure, Mr Cheng has not engaged in any executive management of the Bank and has demonstrated his ability to provide an independent view to the Bank's matters. The Nomination and Remuneration Committee reviewed annually on the structure, size and composition (including skills, knowledge, experience and diversity) of the Board and its committees to consider whether there is a need to refresh the Board composition and identify talent, and was satisfied that Mr Cheng has the required character, integrity and experience to continue fulfilling the role of Independent Non-executive Director, and his long service on the Board would not affect his exercise of independent judgment.

Biographical details of the above-mentioned retiring Directors who are proposed to be re-elected at the 2021 AGM are set out in Appendix 1 to this circular.

LETTER FROM THE BOARD

3. BUY-BACK MANDATE AND ISSUE MANDATE

Pursuant to the ordinary resolutions passed by the Shareholders at the 2020 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 2021 AGM. Accordingly, resolutions will be proposed at the 2021 AGM to renew these mandates. As disclosed in the Announcement, 272,177 Shares had been allotted and issued by the Bank to certain Non-connected Grantees on 16 March 2021 who had vested their Award Shares in the first calendar year after the grant date on 16 March 2020 under the 2020 General Mandate. Save as disclosed above, no Shares have been bought back, allotted, issued or otherwise dealt with pursuant to the 2020 General Mandate.

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.

The purpose of the Issue Mandate is to give the Directors some flexibility to allot and issue Shares (including the issue of new Shares to satisfy the grant of Award Shares to Selected Employees pursuant to the terms of the Share Award Scheme) 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 972,862,220 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 2021 AGM, the maximum number of Shares to be allotted and issued under the Issue Mandate will be up to 194,572,444 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 pursuant to which the Bank has announced that the Board has resolved to grant, among others, the Connected Award Shares to 3 Connected Grantees and shall be satisfied by way of allotment and issue of 49,837 new Shares pursuant to the Specific Mandate.

LETTER FROM THE BOARD

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

Pelican Financial 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 new Shares to the Connected Grantees.

(b) Grant of Award Shares pursuant to the Share Award Scheme

On 16 March 2021, the Board has resolved to grant a total of not more than 732,000 Award Shares to 58 Selected Employees pursuant to the Share Award Scheme, of which, (i) grant of the Connected Award Shares to 3 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) grant of not more than 682,163 Award Shares to 55 Non-connected Grantees (all of them are Employees of the Group), in order to recognize the contributions of such Selected Employees and in driving the continuous business operation and development of the Group.

The grant of 682,163 Award Shares to 55 Non-connected Grantees is categorized as follows:

Category of Non-connected Grantees	Number of Non-connected Grantees	Number of Award Shares
Senior management	3	28,260
Core management	10	144,119
Other employees	<u>42</u>	<u>509,784</u>
Total:	<u><u>55</u></u>	<u><u>682,163</u></u>

Save and except for two of the 55 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 53 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.

LETTER FROM THE BOARD

(c) Proposed Issue of new Shares

On 16 March 2021, the Board has also resolved to allot and issue a total of not more than 732,000 new Shares to satisfy the grant of Award Shares to the Selected Employees pursuant to the terms of the Share Award Scheme, among which (i) not more than 682,163 Award Shares granted to 55 Non-connected Grantees shall be satisfied by the proposed allotment and issue of not more than 682,163 new Shares to the Non-connected Grantees pursuant to the 2020 General Mandate; and (ii) the Connected Award Shares granted to 3 Connected Grantees shall be satisfied by the proposed allotment and issue of 49,837 new Shares to the Connected Grantees pursuant to Specific Mandate, subject to the approval of Independent Shareholders.

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\$9.872 per Share.

Based on the closing price of HK\$9.850 per Share as quoted on the Stock Exchange as at the date of the Announcement, the market value of 682,163 Award Shares granted to the Non-connected Grantees, and the Connected Award Shares granted to the Connected Grantees are HK\$6,719,305.55 and HK\$490,894.45, respectively. Based on the closing price of HK\$9.90 per Share as quoted on the Stock Exchange as of the Latest Practicable Date, the market value of 682,163 Award Shares granted to the Non-connected Grantees, and the Connected Award Shares granted to the Connected Grantees are HK\$6,753,413.70 and HK\$493,386.30, respectively.

The Award Shares shall be vested as set out below.

(d) Vesting dates

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.

LETTER FROM THE BOARD

(f) Conditions precedent

The proposed allotment and issue of not more than 682,163 new Shares to the Non-connected Grantees shall be (i) subject to the Stock Exchange having granted the approval for the listing of, and permission to deal in such new Shares; and (ii) fulfillment of the conditions as set out in the Scheme Rules and such conditions as specified by the Board.

The proposed allotment and issue of 49,837 new Shares to the Connected Grantees shall be subject to (i) the approval by the Independent Shareholders at the 2021 AGM in respect of the proposed allotment and issue of such new Shares and the transactions contemplated therein; (ii) the Stock Exchange having granted the approval for the listing of, and permission to deal in such new 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 not more than 732,000 new Shares.

Details of the grant of Connected Award Shares to the Connected Grantees as follows:

Grant 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 %
Mr Zong Jianxin	24,311	239,463.35	240,678.90	0.0025
Mr Lau Wai Man	16,612	163,628.20	164,458.80	0.0017
Mr Woo Pak Kin Clement	8,914	87,802.90	88,248.60	0.0009
Total	<u>49,837</u>	<u>490,894.45</u>	<u>493,386.30</u>	<u>0.0051</u>

Notes:

- The market value of the Connected Award Shares is calculated based on the closing market price per Share of HK\$9.850 as of 16 March 2021, being the date of the Announcement.

LETTER FROM THE BOARD

2. The market value of the Connected Award Shares is calculated based on the closing market price per Share of HK\$9.90 as of 8 April 2021, being the Latest Practicable Date.
3. As of the Latest Practicable Date, the total number of Shares in issue is 972,862,220.

The aggregate of 49,837 new Shares proposed to be allotted and issued by the Bank to the Connected Grantees, represent (i) approximately 0.00512% of the total number of Shares in issue as of the Latest Practicable Date; and (ii) approximately 0.00512% of the total number of Shares in issue as enlarged by the proposed allotment and issue of such new 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 such new Shares, other than the proposed allotment and issue of such new Shares).

The grant of the Connected Award Shares to the Connected Grantees has been approved by all members of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee and the Board (after consideration of the advice provided by the Nomination and 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:

Name of Connected Grantees	Position	Responsibility and Contributions to the Group
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 12 different operating segments / support functions of the Group

LETTER FROM THE BOARD

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 Macau branch 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 legal and compliance as well as 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 732,000 Award Shares (assuming no other change in the total number of issued Shares 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 732,000 Award Shares (including the Connected Award Shares and assuming no other change in the total number of issued Shares 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	74.97	729,394,500	74.92
Yue Xiu Enterprises (Holdings) Limited (<i>Note 1</i>)	729,394,500	74.97	729,394,500	74.92
Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司) (<i>Note 1</i>)	729,394,500	74.97	729,394,500	74.92
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
Sub-total	799,520,500	82.18	799,520,500	82.12

* 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 732,000 Award Shares (including the Connected Award Shares and assuming no other change in the total number of issued Shares of the Bank)	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
Connected Grantees				
Mr Zong Jianxin, <i>Executive Director, Deputy Chairman and Chief Executive of the Bank</i>	42,164	0.004	66,475 <i>(Note 3)</i>	0.007
Mr Lau Wai Man, <i>Executive Director and Deputy Chief Executive of the Bank</i>	19,257	0.002	35,869 <i>(Note 3)</i>	0.004
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>	2,528	0.000	11,442 <i>(Note 3)</i>	0.001
Non-connected Grantees	267,879	0.028	not more than 950,042 <i>(Note 4)</i>	0.098
Sub-total	331,828	0.034	not more than 1,063,828 <i>(Notes 3 and 4)</i>	0.109
Other public shareholders	173,009,892	17.784	173,009,892	17.770
Total	972,862,220	100	973,594,220	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 74.97% 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 <i>(Note (i))</i>	70,126,000

LETTER FROM THE BOARD

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 respectively.

* *for identification purpose only*

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

Taking into account the maximum number of 732,000 Award Shares granted to the Connected Grantees and Non-connected Grantees, the percentage of public float of the Bank upon full vesting and issuance of such Award Shares to both Connected Grantees and Non-connected Grantees will be approximately 25.071% 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 grant 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 approximately 74.97% of the total number of issued Shares 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.

LETTER FROM THE BOARD

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 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.

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 new 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 2021 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, save for Messrs. Zong Jianxin, Lau Wai Man and Woo Pak Kin Clement who are interested in 42,164 Shares, 19,257 Shares and 2,528 Shares respectively as of the Latest Practicable Date, no Shareholder is required to abstain from voting on the resolution(s) to approve the proposed allotment and issue of the new Shares to the Connected Grantees and the transactions contemplated thereunder at the 2021 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 new 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

LETTER FROM THE BOARD

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.

5. 2021 AGM

The 2021 AGM will be held at the 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong on Friday, 14 May 2021 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 2021 AGM is set out on pages 38 to 42 of this circular.

A proxy form for use in connection with the 2021 AGM is enclosed herewith. The proxy form can also be downloaded from the Bank's website at www.chbank.com or HKEx's website at www.hkexnews.hk. Whether or not you are able to attend the 2021 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 2021 AGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the 2021 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 2021 AGM will be decided by poll at the 2021 AGM. The chairman of the 2021 AGM will exercise his right to demand a poll pursuant to Article 64 of the Articles of Association on each of the resolutions to be proposed at the 2021 AGM except where the chairman of the 2021 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 2021 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.

LETTER FROM THE BOARD

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 2021 AGM.

In view of the reasons for and benefits of the award of the Award Shares as set out in the paragraphs headed “Reasons for the grant of the Award Shares” above, the Directors consider that the proposed allotment and issue of new Shares to the Connected Grantees is fair and reasonable and in the interests of the Bank and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the 2021 AGM to approve the proposed allotment and issue of new Shares to the Connected Grantees and the Specific Mandate. Your attention is drawn to the letter from the Independent Financial Adviser, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the proposed allotment and issue of new Shares to the Connected Grantees and the Specific Mandate, and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from the Independent Financial Adviser is set out on pages 19 to 37 of this circular.

Yours faithfully,
On behalf of the Board
Zhang Zhaoxing
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



15 April 2021

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 15 April 2021 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 new Shares to the Connected Grantees and the Specific Mandate. Pelican Financial 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 37 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 new 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 2021 AGM to approve the proposed allotment and issue of new 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 Yu Lup Fat
Joseph

Mr Cheng Yuk Wo

Mr Lee Ka Lun

Mr Ma Chiu Cheung
Andrew

Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

PELICAN FINANCIAL LIMITED



21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

15 April 2021

*To the Independent Board Committee and the Independent Shareholders of
Chong Hing Bank Limited*

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Bank in respect of the proposed allotment and issue of new Shares to the Connected Grantees under the Share Award Scheme pursuant to the Specific Mandate, details of which are set out in the section headed “Connected transactions involving proposed issue of new Shares to connected persons under the Share Award Scheme pursuant to Specific Mandate” of the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Bank dated 15 April 2021 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As stated in the Announcement, on 16 March 2021, the Board had resolved to allot and issue a total of not more than 732,000 new Shares to satisfy the grant of Award Shares to Selected Employees pursuant to the terms of the Share Award Scheme, of which, (i) the grant of the 49,837 Award Shares to three Connected Grantees shall be satisfied by the proposed allotment and issue of 49,837 new Shares under the Specific Mandate, subject to the approval of the Independent Shareholders at the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2021 AGM; and (ii) the grant of not more than 682,163 Award Shares to 55 Non-connected Grantees shall be satisfied by the proposed allotment and issue of not more than 682,163 new Shares to the Non-connected Grantees under the 2020 General Mandate, in order to recognize the contribution of such Selected Employees and drive the continuous business operation and development of the Group.

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. Accordingly, the proposed allotment and issue of new Shares to the Connected Grantees constitutes connected transactions for the Bank under Chapter 14A of the Listing Rules and is subject to announcement, reporting, circular and independent shareholders' approval requirements.

The Board currently comprises two executive Directors, four non-executive Directors and four independent non-executive Directors. The Independent Board Committee, which currently comprises all 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 regarding the proposed allotment and issue of new Shares to the Connected Grantees and the Specific Mandate. We have been appointed by the Bank as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Pelican Financial Limited ("**Pelican**") is not connected with the Directors, chief executive or substantial shareholders of the Bank or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. As at the Latest Practicable Date, we were not aware of any relationships or interest between Pelican and the Bank nor any other parties that could be reasonably be regarded as a hindrance to Pelican's independence to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed allotment and issue of new Shares to the Connected Grantees. In the last two years, there was no engagement between the Bank and Pelican. Apart from normal professional fees payable to us in connection with this appointment of us as independent financial adviser, no arrangement exists whereby Pelican will receive any fees or benefits from the Bank or the Directors, chief executive or substantial shareholders of the Bank or any of their respective associates, and we are not aware of the existence of or change in any circumstances that would affect our independence. Accordingly, we consider that we are eligible to give independent advice on the proposed allotment and issue of new Shares to the Connected Grantees.

Our role is to provide you with our independent opinion and recommendation as to (i) whether the proposed allotment and issue of new Shares to the Connected Grantees is conducted in the ordinary and usual course of business of the Bank; (ii) whether the terms of the proposed allotment and issue of new Shares to the Connected Grantees are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Bank and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the proposed allotment and issue of new Shares to the Connected Grantees at the 2021 AGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

We have performed relevant procedures and steps which we deemed necessary in forming our opinions to the Independent Board Committee and the Independent Shareholders. These procedures and steps include, among other things, review of relevant agreements, documents as well as information provided by the Bank and verify them, to an extent, with the relevant public information, statistics and market data, industry guidelines and regulations as well as information, facts and representations provided, and the opinions expressed, by the Bank and/or the Directors and/or the management of the Group. The documents reviewed include, but are not limited to, the Share Award Scheme, the Bank's remuneration policy, sample documents relating to the calculation of Award Shares to be awarded to the Selected Employees, the Announcement, the final results of the Bank for the financial year ended 31 December 2020 (the "2020 Final Results") and the Circular. We have assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Bank, its management and/or the Directors, which have been provided to us.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group, nor have we conducted any form of an in-depth investigation into the business and affairs or future prospects of the Bank or its respective subsidiaries or associates (if applicable).

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the proposed allotment and issue of new Shares to the Connected Grantees, we have considered the following principal factors and reasons.

1. Information of the Group

The Bank is principally engaged in the provision of banking and related financial services for customers in Hong Kong and the Mainland China. Together with its subsidiaries, the Group's operating segments include (i) corporate and personal banking; (ii) financial markets activities; (iii) securities business; and (iv) other financial and investment services.

The corporate and personal banking services provided by the Group are principally lending and trade finance facilities, auto financing, consumer financing, overdraft facilities, mandatory

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 business of the Group includes securities trading, stockbroking and futures broking.

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

a. Financial performance

Set out below is a summary of the audited financial information of the Group for the years ended 31 December 2019 and 2020 as extracted from the 2020 Final Results.

Table 1: Summarised financial results of the Group

	For the financial year ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
<i>Segment revenue</i>		
- Corporate and personal banking	2,901,024	3,037,316
- Financial markets activities	557,083	519,751
- Securities business	169,877	114,384
- Others	180,733	339,820
Total Revenue	3,808,717	4,011,271
Gross profit	1,756,766	2,281,377
Profit for year	1,479,978	1,900,642

According to the 2020 Final Results, for the year ended 31 December 2020, the Bank's profit for the year amounted to approximately HK\$1,480.0 million, representing a decrease of approximately 22.1% compared with that in 2019. For the same year, the gross profit of the Bank decreased by approximately 23.0% compared with that in 2019, mainly as a result of the decrease in net interest income, which was collected throughout the Group's operating segments,

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by approximately 10.2% compared with that in 2019. According to the 2020 Final Results, the decrease in net interest income for the year ended 31 December 2020 was mainly driven by the decrease in market interest rates due to substantial rates cut policies. In particular, the net interest margin of the Bank was 1.34% in 2020, a drop of 28 basis points from 2019.

According to the 2020 Final Results, the Bank's corporate business in the Mainland China continued to achieve comprehensive development. By strengthening the marketing of key customers and the management of lending customers, increasing the settlement ratio of existing customers and handling cross-border business, the Bank maintained good growth in corporate deposits. At the same time, it broadened the sources of credit customers, actively adjusted the investment of loans and continuously optimised the loan structure, accelerated the progress of product development, enhanced professional service capabilities and increased fee income. In early 2020, the Bank's branch in Guangzhou (the "**Guangzhou Branch**"), as the branch of a foreign bank in China, completed the first underwriting and issuance of local government bonds. At the same time, the Guangzhou Branch received regulatory approval for its derivatives trading business and was admitted to the interbank foreign exchange market as a derivatives member. In addition, together with the Guangzhou Branch, the Bank's branch in Shenzhen (the "**Shenzhen Branch**") gained approval to join the bond market of the stock exchange, with the Shenzhen Branch being the first branch of a foreign bank in China admitted to the exchange bond market. The Bank further improved its network in the Greater Bay Area with the opening of its sub-branches in Foshan Chancheng and Dongguan in February and December 2020 respectively. The Bank currently has 10 institutions in the Mainland China, achieving a presence in major core cities in the Pearl River Delta and Yangtze River Delta. The Bank was also on track in preparing for the establishment of a wholly-owned banking subsidiary in the Mainland China.

b. Financial position

The consolidated assets and liabilities of the Group as at 31 December 2019 and 31 December 2020 as extracted from the 2020 Final Results are summarised as follows.

Table 2: Summarised financial position of the Group

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Audited)	(Audited)
Total assets		
- non-current assets	2,669,766	2,615,161
- current assets	230,229,881	210,152,873
Total liabilities	204,965,187	187,904,821
Total equity	27,934,460	24,863,213

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Total assets of the Group as at 31 December 2020 increased by about 9.5% to approximately HK\$232.9 billion from approximately HK\$212.8 billion as at 31 December 2019, mainly as a result of the increased amount of loans and advances given to customers. As at 31 December 2020, total liabilities of the Group amounted to approximately HK\$205.0 billion, representing an increase of about 9.1% compared with that as at 31 December 2019. Such increase was mainly driven by (i) the increase in deposits from customers by about 12.6%, from approximately HK\$162.7 billion as at 31 December 2019 to approximately HK\$183.2 billion as at 31 December 2020; and (ii) the increase in deposits and balances of banks by about 18.4%, from approximately HK\$6,949.9 million as at 31 December 2019 to approximately HK\$8,229.6 million as at 31 December 2020. Given the above accounts, total equity of the Group amounted to approximately HK\$27.9 billion as at 31 December 2020, representing an increase of about 12.4% compared with that as at 31 December 2019.

2. The Grant of Connected Award Shares to Connected Grantees

On 16 March 2021, the Board had resolved to grant a total of not more than 732,000 Award Shares to 58 Selected Employees under the Share Award Scheme, which involved (i) the grant of 49,837 Award Shares to three Connected Grantees; and (ii) the grant of not more than 682,163 Award Shares to 55 Non-connected Grantees, in order to recognize the contribution of such Selected Employees and drive the continuous business operation and development of the Group.

The grant of the Connected Award Shares to the Connected Grantees has been approved by all members of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee and the Board (after consideration of the advice provided by the Nomination and Remuneration Committee) have discretion to determine the Selected Employees 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 grant of the Connected Award Shares, which will be satisfied by the allotment and issue of an aggregate of 49,837 new Shares to the Connected Grantees, represents (i) approximately 0.00512% of the total number of Shares in issue as at the Latest Practicable Date; and (ii) approximately 0.00512% of the total number of Shares in issue as enlarged by the proposed allotment and issue of new Shares to the Connected Grantees (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 such new Shares, other than the proposed allotment and issue of such new Shares).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Reasons for conducting the Share Award Scheme

As disclosed in the Board 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 would recognise and motivate the outstanding contribution made by the latter, thereby driving the continuous business operation and development of the Group, as well as reducing the turnover of the Selected Employees in key positions and strengthening the Group's performance.

We have discussed with the management of the Bank regarding the benefits of using the Share Award Scheme as an incentive scheme. Apart from cash bonus which is already part of the Bank's incentive scheme and the Share Award Scheme, we noted that the Directors have considered several alternative methods of providing incentives and awards to the Selected Employees, including a share option scheme. However, in view of the existing shareholding structure of the Bank with Yuexiu Financial Holdings Limited ("**Yuexiu Financial**"), which holds about 74.97% of the Bank's total number of issued Shares, the Directors are of the view that a share option scheme would require the Bank to strictly control, if possible, the timing and proportion of new Shares to be issued among the Connected Grantees and Non-connected Grantees, given that the Bank would need to ensure the 25% minimum public float requirement pursuant to the Listing Rules is fulfilled at all times.

After taking into consideration that (i) the Share Award Scheme is expected to drive the continuous business operation and development of the Group; (ii) it will be generally more difficult to control the time when the Connected Grantees and Non-connected Grantees exercise their rights in the case of a share option scheme and other alternative types of awards; and (iii) it is not uncommon for listed companies in Hong Kong to adopt a share award scheme to incentivise and/or reward their key personnel and employees, the Directors consider that the Share Award Scheme can better facilitate the Bank's ongoing compliance with the public float requirement pursuant to the Listing Rules, and is the most appropriate form of incentives to motivate the Selected Employees to make future contribution to the Group.

Finally, the economic benefits of the Share Award Scheme are dependent on the performance of the Shares (i.e., the performance of the Group). As such, the Selected Employees will earn greater economic benefits as the performance of the Group improves. Given that the proposed allotment and issue of 732,000 new Shares to the Selected Employees under the Share Award Scheme represents a minimal dilution to the existing public Shareholders (i.e., Shareholders excluding Yuexiu Financial, Guangzhou Metro Group Co., Ltd[#], the Connected Grantees and the Non-connected Grantees) of approximately 0.014%, we concur with the Directors that, the terms and conditions of the Share Award Scheme are fair and reasonable, and that the Share Award Scheme will further align the interests of the Selected Employees with those of the Bank and the Shareholders.

[#] for identification purpose only

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4. Proposed allotment and issue of new Shares to the Selected Employees

On 16 March 2021, the Board had resolved to allot and issue a total of not more than 732,000 new Shares to satisfy the grant of 732,000 Award Shares to 58 Selected Employees, of which (i) not more than 682,163 new Shares shall be allotted and issued to 55 Non-connected Grantees pursuant to the 2020 General Mandate; and (ii) 49,837 new Shares shall be allotted and issued to three Connected Grantees pursuant to the Specific Mandate, subject to the approval of the Independent Shareholders at the 2021 AGM.

Grant of Award Shares to the Non-connected Grantees

Set out below is a summary of the grant of Award Shares to the Non-connected Grantees.

Table 3: Summary of Award Shares to be granted to the Non-connected Grantees

Category of Non-connected Grantees	Number of Non-connected Grantees	Number of Award Shares
Senior management	3	28,260
Core management	10	144,119
Other employees	42	509,784
Total	55	682,163

Save and except for two of the 55 Non-connected Grantees who are directors of the Bank's insignificant subsidiaries and hence are exempted as connected persons of the Bank pursuant to Rule 14A.09 of the Listing Rules, none of the remaining 55 Non-connected Grantees was a director or chief executive whom is under the immediate authority of the Board, substantial shareholder of the Bank or any of its subsidiaries, or a director of the Bank or any of its subsidiaries in the past 12 months, or any associate of the aforesaid persons.

Grant of Connected Award Shares to the Connected Grantees

The Connected Grantees include 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 granted to them.

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Table 4: Summarised information of the Connected Grantees and Award Shares 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 date of the Announcement	Approximate percentage of Award Shares to the total issued Shares as at the Latest Practicable Date
Mr. Zong Jianxin <i>Executive Director, Deputy Chairman and Chief Executive of the Bank</i>	<ul style="list-style-type: none"> • 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; • Provide 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; and • Oversees 12 different operating segments/support functions of the Group. 	24,311	HK\$239,463.35	0.0025%
Mr. Lau Wai Man <i>Executive Director and Deputy Chief Executive of the Bank</i>	<ul style="list-style-type: none"> • Reports to the chief executive of the Bank; and • Oversees 3 different operating segments/support functions of the Group, and 3 operating subsidiaries as well as Macau branch. 	16,612	HK\$163,628.20	0.0017%
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>	Chief Risk Officer of the Bank supervising legal and compliance as well as risk management functions of the Group.	8,914	HK\$87,802.90	0.0009%
Total		49,837	HK\$490,894.45	0.0051%

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We have reviewed the professional background and information of the Connected Grantees provided by the management of the Bank. The Connected Grantees each has 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 which enable them to oversee and supervise the Bank's businesses and corporate governance.

Biographies of the Connected Grantees are set out as follows:

Mr. Zong Jianxin was appointed deputy managing director and head of mainland business division of the Bank in May 2015 and ceased to act as deputy managing director of the Bank in May 2018. Mr. Zong has been appointed an executive director, the chief executive and the deputy chairman of the Bank since September 2015, April 2017 and May 2018, respectively. He also acted as alternate chief executive of the Bank from May 2016 to April 2017. Mr. Zong has been appointed an executive director of Yuexiu Financial (the immediate holding company of the Bank) since November 2015 and the deputy chairman and the chief executive of Yuexiu Financial since May 2018. He acted as alternate chief executive of Yuexiu Financial from June 2016 to May 2018. He has been a director and the chief executive of Chong Hing Finance Limited (a wholly-owned subsidiary of the Bank) ("**Chong Hing Finance**") since August 2017. Mr. Zong has more than 20 years of banking experience, specialising in corporate banking, international business and investment banking business. 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 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 Shenzhen Branch. Mr. Zong holds a Master's Degree in Business Administration awarded by Shanghai Jiao Tong University.

Mr. Lau Wai Man has been appointed an executive director of the Bank since August 2001 and was appointed as deputy managing director of the Bank 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. He has been an executive director and alternate chief executive of Yuexiu Financial 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 holds a Bachelor's Degree in Law and a Master's Degree in Business Administration. He is a vice president of the Council of the Hong Kong Institute of Bankers, a Certified Financial Planner^{CM} 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 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.

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Mr. Woo Pak Kin Clement has been the chief risk officer of the Bank since September 2019. Mr. Woo holds a Bachelor's Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor's Degree in applied accounting from Oxford Brookes University. He is a Fellow Chartered and Certified Accountant and a Chartered Financial Analyst. Mr. Woo has more than 20 years of experience in the banking industry covering enterprise risk, credit risk, market risk and operational risk management, and possesses sound knowledge in formulating bank-wide risk management framework. Prior to joining the Bank, He was the risk management director and head of risk management of a leading Chinese bank.

As advised by the management of the Bank, the above Connected Grantees have been overseeing the overall operation and decisions making process of the Bank and contributing to the Group's growth and success in recent years. These Connected Grantees are expected to continue to play important roles in the future business of the Group and given their contributions, knowledge and experiences, the Board is of the view that it is crucial to retain these Connected Grantees for the future development of the Group.

5. Vesting period of the Award Shares

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

6. Conditions precedent to the grant of Award Shares

The proposed allotment and issue of not more than 682,163 new Shares to the Non-connected Grantees shall be (i) subject to the Stock Exchange having granted the approval for the listing of, and permission to deal in such new Shares; and (ii) fulfillment of the conditions as set out in the Scheme Rules and such conditions as specified by the Board.

The proposed allotment and issue of 49,837 new Shares to the Connected Grantees shall be subject to (i) the approval by the Independent Shareholders at the 2021 AGM; (ii) the approval for the listing of, and permission to deal in such new Shares by the Stock Exchange; and (iii) the fulfillment of the conditions as set out in the Scheme Rules and such conditions as specified by the Board.

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7. Assessment of the terms of the Share Award Scheme

a. Comparison with the internal remuneration policy of the Bank

In assessing the fairness and reasonableness of the terms of the Share Award Scheme, we have obtained and reviewed the detailed terms of the Share Award Scheme and the internal remuneration policy of the Bank, which set out among others, (i) the remuneration structure of the Bank; (ii) the remuneration determination strategy of the Bank, including fixed remuneration and performance-based measurements; and (iii) the rules governing the size and allocation of the Award Shares under the Share Award Scheme. In addition, we have discussed with the management of the Bank the selection criteria in determining the Selected Employees and the calculation basis for the grant of Award Shares to these employees, as well as have collected samples recording the previous grant of Award Shares to the Connected Grantees.

As set out in the internal remuneration policy of the Bank, the Share Award Scheme forms part of the total remuneration package for 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 the Connected Grantees and Non-connected Grantees) and the calculation methodology of the grant of Award Shares, are both performance-based and systematically related to the internal grading, job nature, importance of different roles, culture and risk assessment of relevant individual employees; (ii) the overall size of the grant of Award Shares is determined based on the business objective and financial performance of the Bank; and (iii) the general awarding and vesting rules under the Share Award Scheme are identical amongst those for the Connected Grantees and those for the Non-connected Grantees, which are consistent with the factors considered and assessed by the Nomination and Remuneration Committee as set out in the above section headed “The Grant of Connected Award Shares to Connected Grantees” of this letter. Given that as discussed in the above section headed “Proposed allotment and issue of new Shares to the Selected Employees” of this letter, the Connected Grantees each has over 20 years of experience in the banking sector and collectively possess banking, accounting, investment, legal, risk management and management expertise which enable them to oversee and supervise the Bank’s businesses and corporate governance, we consider that the selection criteria used in determining the Selected Employees, which include the Connected Grantees, align with the general remuneration principles of the Bank which are, among others, performance-driven.

In light of the above, we are of the view that the terms of the Share Award Scheme, which include those regarding the selection criteria and calculation basis for the grant of Award Shares to the Selected Employees, are fair and reasonable as far as the Independent Shareholders are concerned.

b. Comparable analysis

To further assess the fairness and reasonableness of the terms of the Share Award Scheme, we have, to our best effort and knowledge, firstly identified 35 banks which are listed on the Main Board of the Stock Exchange. Out of the 35 banks identified, we noted that 28 banks are subject to regulations promulgated by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (the “CBIRC”). Accordingly, the remuneration packages offered by

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these banks are regulated by the CBIRC, which are quite different from those that are not subject to the CBIRC regulations but subject to regulations promulgated by the Hong Kong Monetary Authority (the “**HKMA**”), as in the case of the Bank. In addition, among the seven remaining banks which are listed on the Main Board of the Stock Exchange and subject to regulations of the HKMA but not the CBIRC, three banks have share option schemes as part of their incentive remuneration packages, 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 those of share award schemes, (e.g. grantees under share option schemes are normally required to pay a price to subscribe and convert the share options into underlying shares, whereas grantees under share awards schemes are not required to pay for the award shares), we consider those three banks with share option schemes and the three banks with a combination of share option schemes and share award schemes may not provide a representative comparison for illustration and reference purpose to the Independent Shareholders.

As a result, we identified 15 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 award 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 March 2021) up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Comparables could provide the Independent Shareholders with a general reference of banks listed on the Main Board of the Stock Exchange granting award shares and the length of the vesting period.

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 Share Award Scheme without limiting to banks that are of 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 summary of the principal terms of the Comparables.

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Table 5: Principal terms of the Comparables

Company name (stock code)	Date of announcement	Grantee(s)	Vesting date/period	Number of award shares granted to each of the award connected grantees/ number of issued shares	Number of award shares granted to each of the award connected grantees/ number of issued shares
NagaCorp Ltd. (3918)	28-Jan-21	Total grantees not disclosed, including 6 connected persons	100% on 30 June 2021	0.45%	Ranged between 0.00023% and 0.14%
China YuHua Education Corporation Limited (6169)	25-Jan-21	103 grantees, none is connected person	Not disclosed	0.20%	Not applicable
Sinosoft Technology Group Ltd. (1297)	25-Jan-21	9 grantees, none is connected person	100% on 25 January 2021	1.61%	Not applicable
Frontage Holdings Corporation (1521)	25-Jan-21	184 grantees, including 2 connected persons	25% on January 24, 2022; 25% on January 24, 2023; 25% on January 24, 2024; and 25% on January 24, 2025, or an earlier date as approved by the board	1.12%	Ranged between 0.061% and 0.090%
Dashan Education Holdings Limited (9986)	14-Jan-21	56 grantees, include 9 connected persons	40% on the first trading date upon expiry of seven days after the publication of the annual results announcement for the financial year ending 31 December 2021; 30% on the first trading date upon expiry of seven days after the publication of the annual results announcement for the financial year ending 31 December 2022; and 30% on the first trading date upon expiry of seven days after the publication of the annual results announcement for the financial year ending 31 December 2023	3.75%	Ranged between 0.021% and 1.23%

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Company name (stock code)	Date of announcement	Grantee(s)	Vesting date/period	Number of award shares granted to Number of each of the award connected shares/ grantees/ number of number of issued shares issued shares
FriendTimes Inc. (6820)	28-Dec-20	Total grantees not disclosed, including 2 connected persons	Not disclosed	1.83% 0.0092%
Greentown Management Holdings Company Limited (9979)	24-Dec-20	45 grantees, include 13 connected persons	50% on the first anniversary date of the grant date; and 50% on the second anniversary date of the grant date	1.83% Ranged between 0.026% and 0.199%
Central China Real Estate Ltd. (832)	21-Dec-20	216 grantees, none is connected person	Not disclosed	3.80% Not applicable
Sany Heavy Equipment International Holdings Co. Ltd. (631)	18-Dec-20	424 grantees, include 3 connected persons	20% on 18 March 2021; 20% on 18 March 2022; 20% on 18 March 2023; 20% on 18 March 2024; and 20% on 18 March 2025	0.17% Ranged between 0.00095% and 0.029%
Da Ming International Holdings Ltd. (1090)	15-Dec-20	87 grantees, include 2 connected persons, and relatives of Director and substantial shareholder	100% on 22 December 2020	0.43% Ranged between 0.0074% and 0.037%
Times Neighborhood Holdings Limited (9928)	13-Nov-20	24 grantees, include 4 connected persons	100% on 31 March 2024	0.34% 0.020%
Freetech Road Recycling Technology (Holdings) Limited (6888)	13-Nov-20	24 grantees, include 4 connected persons	100% on 31 March 2024	0.34% 0.020%

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Company name (stock code)	Date of announcement	Grantee(s)	Vesting date/period	Number of award shares granted to Number of each of the award connected shares/ grantees/ number of number of issued shares issued shares
Wuxi Biologics (Cayman) Inc. (2269)	12-Nov-20	1,391 grantees, none is connected person	Not disclosed	0.12% Not applicable
Home Control International Limited (1747)	05-Oct-20	10 grantees, include 4 connected persons	50% on the second anniversary of the grant date; and 50% on the third anniversary of the grant date	1% Ranged between 0.075% and 0.25%
Medialink Group Limited (2230)	02-Sep-20	15 grantees, none is connected person	100% on 2 September 2020	0.06% Not applicable
			Maximum	3.80% 1.23%
			Minimum	0.06% 0.00023%
			Average	1.14% Not applicable
			Median	0.45% Not applicable
The Bank	16-Mar-21	58 grantees, including 3 connected persons	25% on 16 March 2022; 25% on 16 March 2023; 25% on 16 March 2024; and 25% on 16 March 2025	0.075% Ranged between 0.0009% to 0.0025%

Source: Website of the Stock Exchange

We noted that the number of the award shares which the Comparables granted to their respective independent and connected grantees as at the date of the relevant grant ranged between approximately 0.06% and 3.8% of the total number of shares in issue on the date of their respective announcement. The Award Shares represent approximately 0.075% of the total number of Shares in issue as at the date of the Announcement, which is within and at the lower end of the range represented by the Comparables.

We also noted that the number of the award shares which the Comparables granted to each of their respective connected grantees ranged between approximately 0.00023% and 1.23% of the total number of shares in issue as at their respective latest practicable date. Given that the proposed allotment and issue of new Shares to each of the Connected Grantees represent

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approximately 0.0009% to 0.0025% of the total number of Shares in issue as at the Latest Practicable Date, it is within the range of those represented by the Comparables and hence we consider that the number of Connected Award Shares granted to each of the Connected Grantees is fair and reasonable.

As shown in the table above, the vesting period of the Comparables ranged from one day to five years from the respective grant date, and two out of the 15 Comparables have a vesting period of four years or more. Accordingly, the vesting period of the Award Shares of four years, aligns with the market practices despite having a relatively longer vesting period.

We believe the relatively long vesting period (as compared with the Comparables) is determined based on the expectation that the grantees will continue to commit and make longer-term contribution towards the development of the Bank. A longer vesting period would also better serve the purpose of retaining the Selected Employees as well as reducing the financial burden of the Bank when it comes to hire their replacements. As such, we concur with the Directors that the terms of the Share Award Scheme are fair and reasonable so far as the Independent Shareholders are concerned.

c. Section conclusion

Having considered that (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 operation of the Bank resulting from a lack of continuity of an experienced management team; (iii) the general remuneration principles and rules are performance-based and linked to the business objective and performance of the Bank, and remuneration principles and rules including the terms of the Share Award Scheme are identically applied to the Connected Grantees and Non-connected Grantees; (iv) the Award Shares to be granted to the Selected Employees will provide them with a direct economic interest in attaining a long-term relationship with the Group; (v) the proportion of the Award Shares to the existing issued shares of the Bank is within and at the lower end of the range represented by the Comparables; and (vi) the vesting period of the Award Shares aligns with the market practices, we are of the view that the terms of the Share Award Scheme are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Bank and the Shareholders as a whole.

8. Financial effects of the grant of Award Shares

a. Earnings

According to the 2020 Final Results, the Group recorded a profit for the year ended 31 December 2020 of approximately HK\$1.5 billion. Based on the closing price of HK\$9.85 per Share as quoted on the Stock Exchange as at 16 March 2021, being the date of the Announcement, the market value of 682,163 Award Shares to be granted to the Non-connected Grantees and the 49,837 Award Shares to be granted to the Connected Grantees were HK\$6,719,305.55 and HK\$490,894.45, respectively.

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Based on the closing price of HK\$9.9 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, the market value of 682,163 Award Shares to be granted to the Non-connected Grantees and the 49,837 Award Shares to be granted to the Connected Grantees were HK\$6,753,413.7 and HK\$493,386.30, respectively.

The value of the Award Shares would be charged as expenses of the Group over the vesting period of the Award Shares, hence it would decrease the profit of the Group. No funds will be raised by the Bank as a result of the proposed allotment and issue of 732,000 new Shares to the Connected Grantees and the Non-connected Grantees.

b. *Net assets value*

According to the 2020 Final Results, the net assets of the Group was approximately HK\$27.9 billion as at 31 December 2020. Over the vesting period of the Award Shares, the value of the Award Shares would be recognised in the Group's consolidated statement of profit and loss as expenses, with a corresponding increase in equity. Accordingly, the total net assets of the Bank would remain unchanged.

c. *Liquidity*

Save for the administrative and professional expenses relating to the proposed allotment and issue of new Shares to the Connected Grantees, the proposed allotment and issue of new Shares to the Connected Grantees will not have any impact on the cash position and net current assets of the Group.

Notwithstanding that the proposed allotment and issue of new Shares to the Connected Grantees would increase the loss of the Group in the future, the Directors expect that it would retain and motivate the Selected Employees to make continuous contributions to the Group, which shall help to improve the business and financial performance of the Group.

9. Dilution effect on the shareholding interests of the existing public Shareholders

Immediately after the proposed allotment and issue of 732,000 new Shares to the Non-Connected Grantees and the Connected Grantees, and upon full vesting of the 732,000 Award Shares, the shareholding of the existing public Shareholders (i.e., Shareholders excluding Yuexiu Financial, Guangzhou Metro Group Co., Ltd[#], the Connected Grantees and the Non-connected Grantees) will be diluted from approximately 17.784% to 17.770%. As set out in the Board Letter, the Group has adopted certain 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 new Shares to the Connected Grantees upon vesting where appropriate. In light of these measures, we consider that an effective system has been in place to maintain the minimum public float of the Bank as required under the Listing Rules.

[#] for identification purpose only

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Taking into account (i) the benefits of the Share Award Scheme in motivating the Selected Employees to devote their efforts to the continuous business operation and development of the Group; (ii) the proportion of the proposed allotment and issue of 49,837 new Shares to the Connected Grantees to the existing issued shares of the Bank is within and at the lower end of the range represented by the Comparables; (iii) the vesting period is in line with the market practices and would provide incentives to the Selected Employees to stay at the Bank and contribute; and (iv) the Group has adopted certain internal measures in ensuring the public float requirement of 25% will be met at all times, we are of the view that the dilution effect on the shareholding of existing public Shareholders as a result of the proposed allotment and issue of 732,000 new Shares to the Non-Connected Grantees and the Connected Grantees is acceptable.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that, despite the proposed allotment and issue of new Shares to the Connected Grantees is not conducted in the ordinary and usual course of business of the Bank, such terms are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned 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 resolutions to be proposed at the 2021 AGM to approve the proposed allotment and issue of 49,837 new Shares to the Connected Grantees and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li*
Managing Director

* *Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.*

NOTICE OF 2021 AGM



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, 14 May 2021 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 2020.
- (2) To declare a final cash dividend of HK\$0.23 per share for the year ended 31 December 2020.
- (3)
 - (i) To re-elect Mr LI Feng as Non-executive Director.
 - (ii) To re-elect Mr CHENG Yuk Wo as Independent Non-executive Director.
 - (iii) To resolve not to fill up the vacated office resulting from the retirement of Mr MA Chiu Cheung Andrew as Independent Non-executive Director as at the date of this annual general meeting until a later time as announced by the Bank.
- (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

NOTICE OF 2021 AGM

(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;
- (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) (including the issue of any Shares pursuant to the Chong Hing Bank Limited Share Award Scheme adopted by the Bank on 27 February 2020) 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,

NOTICE OF 2021 AGM

and the said approval shall be limited accordingly; and

(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 49,837 new Shares of the Bank (the “**New Shares**”) to satisfy the grant of the Connected Award Shares to the Connected Grantees pursuant to the terms of the Chong Hing Bank Limited Share Award Scheme adopted by the Bank on 27 February 2020, as amended from time to time (the “**Share Award Scheme**”), the directors of the Bank be and are hereby granted a specific mandate (the “**Specific Mandate**”) for the proposed allotment and issue of the New Shares to the Connected Grantees pursuant to the Specific Mandate. The Connected Grantees are directors of the Bank and a 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 (a copy of which has been produced at the 2021 annual general meeting marked “A” and signed by the chairman of the 2021 annual general meeting for the purpose of identification); and

NOTICE OF 2021 AGM

- (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 New Shares to the Connected Grantees under the Specific Mandate and the transactions contemplated thereunder.
- (9) **THAT**, the grant of 24,311 Award Shares pursuant to the Share Award Scheme to Mr ZONG Jianxin be and is hereby approved, confirmed and ratified.
- (10) **THAT**, the grant of 16,612 Award Shares pursuant to the Share Award Scheme to Mr LAU Wai Man be and is hereby approved, confirmed and ratified.
- (11) **THAT**, the grant of 8,914 Award Shares pursuant to the Share Award Scheme to Mr WOO Pak Kin Clement be and is hereby approved, confirmed and ratified.

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

Hong Kong, 15 April 2021

Notes:

- (i) A shareholder entitled to attend and vote at the 2021 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 2021 annual general meeting and any adjournment thereof.
- (ii) For the purpose of ascertaining the shareholders who are entitled to attend and vote at the 2021 annual general meeting, the register of members of the Bank will be closed from Tuesday, 11 May 2021 to Friday, 14 May 2021 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending and voting at the 2021 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 Monday, 10 May 2021.
- (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 Monday, 24 May 2021 to Tuesday, 25 May 2021 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for receiving the 2020 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 Friday, 21 May 2021.
- (iv) The biographical details of the retiring directors of the Bank who offer themselves for re-election at the 2021 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.

NOTICE OF 2021 AGM

- (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 2021 annual general meeting, the meeting will be postponed or adjourned. The Bank will post an announcement on the Bank's website (www.chbank.com) and Hong Kong Exchanges and Clearing Limited's website (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.

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.

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

Biographical details of the retiring Directors proposed to be re-elected at the 2021 AGM are set out as follows:

Mr LI Feng

aged 52, has been a Non-executive Director of the Bank since February 2014. Mr Li is the Chief Capital Officer of 廣州越秀集團股份有限公司 (formerly known as 廣州越秀集團有限公司) (Guangzhou Yue Xiu Holdings Limited*) (“GZYX Holdings”) and Yue Xiu Enterprises (Holdings) Limited (“YX Enterprises”), managing the Capital Department, Customer Resource Management and Synergy Department and Information Centre of GZYX Holdings and YX Enterprises. Mr Li is mainly responsible for formulating and implementing major capital management plans, organizing and coordinating the investor relationship of listed companies, optimizing and synergizing the customer resources, and enhancing the development of information technology system, etc. Mr Li is also the Chairman and a Non-executive Director of Yuexiu Financial Holdings Limited (the immediate holding company of the Bank), the Chairman of Yue Xiu Securities Holdings Limited and a Director of Guangzhou City Construction & Development Co., Ltd. He is an Executive Director of Yuexiu Property Company Limited (“Yuexiu Property”) (Stock Code: 00123), the Chairman and an Executive Director of Yuexiu Transport Infrastructure Limited (Stock Code: 01052), both of which are listed on the Stock Exchange; a Non-executive Director of Yuexiu REIT Asset Management Limited (the Manager of Yuexiu Real Estate Investment Trust (Stock Code: 00405), which is listed on the Stock Exchange); and a Director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Stock Code: 000987). He holds the qualification of a Senior Engineer in China and the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government. Mr Li is also the President of the Association of Guangzhou Belt and Road Investment Enterprises, Member of Guangzhou Housing Provident Fund Management Committee, a Director of the Guangzhou People’s Association for Friendship with Foreign Countries and the Vice-president of the Listed Companies Council, Hong Kong Chinese Enterprises Association.

Mr Li joined YX Enterprises in December 2001 and has successively held positions in GZYX Holdings and YX Enterprises, including the Assistant to General Manager, General Manager of Capital Department, Assistant Manager of Corporate Management Department, Assistant to General Manager of Supervision and Auditing Department, and Deputy General Manager of Yue Xiu International Development Limited. Mr Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of GZYX Holdings and YX Enterprises; before that, he was also involved in the successful listing of Yuexiu Real Estate Investment Trust, and has extensive practical experience in capital operations.

Mr Li graduated from the Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in Naval Architecture, and obtained a Master of Business Administration degree from Jinan University.

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

As of the Latest Practicable Date, Mr Li has interested in 172,900 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 Li 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 Li, 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 of Association. Mr Li is currently entitled to receive an annual director's fee of HK\$400,000 as Non-executive Director of the Bank and an additional annual fee of HK\$20,000 for serving as a member of each of the Information Technology Strategy Committee and the Risk Committee respectively. Such director's fee and additional annual fee for serving as committee member were set by the Nomination and Remuneration Committee with reference to his position as a Non-executive Director of the Bank and the prevailing market conditions. Details of Mr Li's remuneration are set out in note 42 to the consolidated financial statements in the Bank's 2020 Annual Report.

Save as disclosed above, there is no other information about Mr Li 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.

* *for identification purpose only*

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

Mr CHENG Yuk Wo

aged 60, has been an Independent Non-executive Director of the Bank since September 2004. He has also been an Independent Non-executive Director of Yuexiu Financial Holdings Limited (the immediate holding company of the Bank) since February 2014. Mr Cheng has been an Independent Non-executive Director of Chong Hing Insurance Company Limited (a wholly-owned subsidiary of the Bank) since May 2017. Mr Cheng, a co-founder of a Hong Kong merchant banking firm, is currently the proprietor of a certified public accountant practice in Hong Kong. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Professional Accountants of Canada. Mr Cheng has more than 30 years of expertise in financial and corporate advisory services in mergers, acquisitions and investments. He had worked at Coopers and Lybrand (now known as PricewaterhouseCoopers) in London and Swiss Bank Corporation (now known as UBS AG) in Toronto, and held senior management positions in a number of Hong Kong listed companies.

In addition to his directorship in the Bank, Mr Cheng is also an Independent Non-executive Director of a number of companies listed on the Stock Exchange, including CSI Properties Limited (Stock Code: 00497), HKC (Holdings) Limited (Stock Code: 00190), Goldbond Group Holdings Limited (Stock Code: 00172), CPMC Holdings Limited (Stock Code: 00906), Top Spring International Holdings Limited (Stock Code: 03688), Liu Chong Hing Investment Limited (Stock Code: 00194), Chia Tai Enterprises International Limited (Stock Code: 03839), Miricor Enterprises Holdings Limited (Stock Code: 01827), Somerley Capital Holdings Limited (Stock Code: 08439), Kidsland International Holdings Limited (Stock Code: 02122) and C.P. Pokphand Co. Ltd. (Stock Code: 00043). Besides, Mr Cheng was an Independent Non-executive Director of C.P. Lotus Corporation (previous stock code: 00121) from September 2004 to October 2019, shares of which were withdrawn from listing on the Stock Exchange with effect from 28 October 2019, and DTXS Silk Road Investment Holdings Company Limited (formerly known as UDL Holdings Limited) (Stock Code: 00620), a company listed on the Stock Exchange, from November 2015 to May 2020.

Mr Cheng obtained a Master of Science (Economics) degree in Accounting and Finance from the London School of Economics, England and a Bachelor of Arts (Honours) degree in Accounting from the University of Kent, England.

As of the Latest Practicable Date, Mr Cheng 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 Cheng 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.

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

Mr Cheng, 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 of Association. Mr Cheng is currently entitled to receive an annual director's fee of HK\$400,000 as Independent Non-executive Director of the Bank, an additional annual fee of HK\$100,000 for serving as chairman of the Audit Committee and an additional annual fee of HK\$20,000 for serving as a member of each of the Connected Party Transactions Committee, the Nomination and Remuneration Committee and the Risk Committee of the Bank respectively. Such director's fee and additional annual fee for serving as the chairman and committee member were set by the Nomination and Remuneration Committee with reference to his position as an Independent Non-executive Director of the Bank and the prevailing market conditions. Details of Mr Cheng's remuneration are set out in note 42 to the consolidated financial statements in the Bank's 2020 Annual Report.

Save as disclosed above, there is no other information about Mr Cheng 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.

APPENDIX 2 — EXPLANATORY STATEMENT ON THE BUY-BACK MANDATE

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 972,862,220 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 2021 AGM, exercise in full of the Buy-back Mandate would result in up to 97,286,222 Shares being bought back by the Bank during the period from the date of passing of Resolution 5 in the notice of the 2021 AGM set out on pages 38 to 42 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 of Association, the applicable laws of Hong Kong and the Listing Rules. Buy-backs of Shares pursuant to the Buy-back Mandate would be funded entirely from the Bank's available cash flow or working capital facilities. Any buy-backs of Shares will be made out of funds of the Bank legally permitted to be utilised in this connection, including profits otherwise available for distribution.

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 2020) 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.

APPENDIX 2 — EXPLANATORY STATEMENT ON THE BUY-BACK MANDATE

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 approximately 74.97% 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 74.97% to approximately 83.30% 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.

APPENDIX 2 — EXPLANATORY STATEMENT ON THE BUY-BACK MANDATE

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>
2020		
April	10.52	10.00
May	10.78	8.84
June	9.66	8.74
July	9.92	8.89
August	9.40	8.80
September	9.14	8.73
October	9.62	8.80
November	9.75	9.12
December	9.60	9.15
2021		
January	10.00	9.10
February	10.42	9.22
March	10.04	9.50
April (<i>up to and including the Latest Practicable Date</i>)	9.92	9.82

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 enquiries, 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 AND/OR UNDERLYING SHARES OF THE BANK

Name of Director	Long/short position	Number of shares held, nature and capacity of interests			Personal interests (held as beneficial owner) <i>(Note 2)</i>	Total interests	Approximate percentage of interests <i>(Note 1)</i>
		Personal interests (held as beneficial owner)	Family interests (interest of spouse or child under 18)	Corporate interests (interest of corporation)			
Zong Jianxin	Long position	42,164	—	—	150,806	192,970	0.020%
Lau Wai Man	Long position	19,257	—	—	74,386	93,643	0.010%

Notes:

- The approximate percentage of interests held was calculated on the basis of 972,862,220 ordinary shares of the Bank in issue as at the Latest Practicable Date.
- These represent the interests of award shares granted to the Directors under the Share Award Scheme.

APPENDIX 3 — GENERAL INFORMATION

INTERESTS IN SHARES AND/OR UNDERLYING SHARES IN THE ASSOCIATED CORPORATION OF THE BANK

Name of Director	Name of Associated Corporation	Long/short position	Number of ordinary shares held, nature and capacity of interests			Total interests	Approximate percentage of interests (Note 1)
			Personal Interests (held as beneficial owner)	Family Interests (interest of spouse or child under 18)	Corporate Interests (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.

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.

Save 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

- None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2020, 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.
- 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.

APPENDIX 3 — GENERAL INFORMATION

- (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).

5. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

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	Approximate percentage of total number of issued shares	
		Number of Shares held	(Note 1)
Yuexiu Financial Holdings Limited (Note 2)	Beneficial Owner	729,394,500	74.97%
Yue Xiu Enterprises (Holdings) Limited (Note 2)	Interest of corporation controlled	729,394,500	74.97%
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	74.97%
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:

1. As of the Latest Practicable Date, the total number of issued shares of the Bank is 972,862,220 Shares.
2. 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 74.97% by 729,394,500 Shares.

APPENDIX 3 — GENERAL INFORMATION

3. 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 (<i>Note (i)</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 respectively.

** for identification purpose only*

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 2020, 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:

Name	Qualification
Pelican Financial Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO

APPENDIX 3 — GENERAL INFORMATION

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 2020 (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.

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 member of The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.
- (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 2021 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 new 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;

APPENDIX 3 — GENERAL INFORMATION

- (e) the Articles of Association;
- (f) the annual reports of the Bank for the two financial years ended 31 December 2019 and 2020 respectively; and
- (g) this circular.