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招商銀行股份有限公司

**CHINA MERCHANTS BANK CO., LTD.**

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

**(Stock code: 03968)**

## **OVERSEAS REGULATORY ANNOUNCEMENT**

This announcement is made pursuant to Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the 2015 First Phase Employee Stock Ownership Scheme of the China Merchants Bank Co., Ltd. (Draft) (by way of subscribing A shares in private placement) published by China Merchants Bank Co., Ltd. on the website of Shanghai Stock Exchange for information purpose only.

By Order of the Board of  
**China Merchants Bank Co., Ltd.**

22 April 2015

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

**China Merchants Bank Co., Ltd.**

**2015 First Phase Employee Stock  
Ownership Scheme (Draft)  
(by way of subscribing A Shares in  
Private Placement)**

April 2015

## **Statement**

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

## Special Reminder

- (I) To further improve the Company's legal entity governance structure, stabilize management and key personnel team, establish a sound mid and long-term incentive mechanism combining incentives and restraints, and promote the long-term, sustained and healthy development of the Company, the First Phase Employee Stock Ownership Scheme of China Merchants Bank Co., Ltd. for 2015 (the "Scheme") has been established based on the principles of "legal compliance, voluntary participation, self-bearing of risks and the combination of incentives and restraints".
- (II) The Scheme has been formulated in accordance with the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Guiding Opinion on the Pilot Implementation of Employee Stock Ownership Scheme by Listed Companies*, other relevant laws, rules and regulations and normative documents as well as provisions of the *Articles of Association*.
- (III) The Scheme may only be implemented upon proposal by the Company's Board of Directors, subject to the fulfillment of the following conditions: (1) the Scheme being approved by the Company's shareholders' general meeting and the Private Placement of A Shares to be carried out for the purpose of implementing the Scheme being approved by the shareholders' general meeting of the Company (including shareholders' class meetings); (2) the obtaining of approval from China Banking Regulatory Commission for matters of the Private Placement of A Shares to be carried out for the purpose of implementing the Scheme; (3) the obtaining of approval from China Securities Regulatory Commission for matters of the Private Placement of A Shares to be carried out for the purpose of implementing the Scheme; and (4) the filing of the Private Placement of A Shares to be carried out for the purpose of implementing the Scheme with the Hong Kong Stock Exchange.
- (IV) The funds of the Company's employees participating in the Scheme shall be derived from the legitimate salary of the employees as well as funds raised by them through other legal means as examined and approved by the Board. Shares of the Scheme shall be derived from A Shares to be subscribed under the Company's Private Placement (the "Private Placement"). The total amount of funds used in the subscription of A Shares in the Company's Private Placement shall not exceed RMB6 billion and the number of shares to be subscribed under the Private Placement shall not exceed 434,782,608 shares. If the issue price of the Private Placement was adjusted due to any ex-rights or ex-dividend issue occur(s) during the period from the pricing reference date to the issue date, the number of shares issued under the Private Placement shall be adjusted accordingly. After the Scheme was implemented, the total number of Underlying Shares held under all effective employee stock ownership schemes of the Company shall not exceed 10% of the Company's total share capital and the total number of Underlying Shares corresponding to Scheme Entitlements granted to individual employees shall not, in aggregate, exceed 1% of the Company's total share capital. Target participants of the Scheme shall not be more than 8,500, including certain Directors, certain Supervisors, certain senior management personnel, middle-level cadres and key employees of the Company as well as senior management personnel of the Company's wholly-owned subsidiaries, of which Li Jianhong (Chairman), Ma Zehua (Vice Chairman) and Li Xiaopeng (Director) will not participate in the Scheme, while participation of other non-executive

Directors and shareholder Supervisors in the Scheme is required to be reported to the relevant authorities for approval while independent non-executive Directors and external Supervisors shall not participate in the Scheme. The total amount of Scheme Entitlements under the Stock Ownership Scheme to be subscribed by the Directors, Supervisors and senior management personnel participating in the Scheme (the initial entitlements) shall be no more than 7,070,000 units, representing not more than 1.63% of the Scheme Entitlements (initial entitlements). The specific amount shall be determined in accordance with the approval of the relevant authorities and the actual payment made by the aforementioned parties.

- (V) The subscription price of the shares to be subscribed for under the Scheme in the Company's Private Placement is RMB13.80 per share and such issue price shall not be less than 90% of the average trading price of the Company's A shares over 20 trading days before the date of announcement of resolutions of the 31st Meeting of the Ninth Session of the Board of Directors of the Company (the reference date). If any ex-rights or ex-dividend issue occurs during the period from the pricing reference date to the issue date, the issue price and issue base price shall be adjusted accordingly.
- (VI) The lock-up period of Underlying Shares allotted to the Scheme in the Private Placement shall be 36 months<sup>1</sup>, commencing from the time when the Company makes an announcement on the registration of such Underlying Shares under the Scheme.
- (VII) The management of the Scheme shall be entrusted to GF Securities Asset Management (Guangdong) Co., Ltd. through its specifically established GF Securities – China Merchants Bank ESOP Designated Asset Management Scheme. The Scheme shall subscribe for the shares to be issued under the Private Placement through such Asset Management Scheme.
- (VIII) Upon implementation, this Scheme will not lead to any corporate equity distribution not in compliance with the listing conditions and requirements.
- (IX) The term of the Scheme is six years.
- (X) The Scheme is the Company's First Phase Employee Stock Ownership Scheme in 2015. In principle, an employee stock holding scheme will be launched once every year in the next two years in principle, namely, the second phase employee stock ownership scheme and the third phase employee stock ownership scheme. The total amount of funds involved in the three phases of employee stock ownership scheme shall not exceed RMB10 billion.
- (XI) The total amount of funds involved in the coming second phase and third phase employee stock ownership schemes shall not exceed RMB2 billion respectively. Details of the second phase and third phase employee stock ownership schemes shall be separately formulated by the Company and filed with the Board and the shareholders' general meeting for approval. Shares shall be derived from shares purchased in the secondary market or shares subscribed for in a private placement. In the event that any subscription of shares in a private placement is involved, it needs to separately obtain the approval of the Company's Board and shareholders' general meeting (including the shareholders' class meetings) and has to be reported to the relevant regulatory departments for approval and filing.

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<sup>1</sup> In the event of any change in the regulatory policy in the future, the regulatory policy requirement shall prevail.

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## I. Definition

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

<b>Terms</b>	<b>Meaning</b>
Scheme	<i>2015 First Phase Employee Stock Ownership Scheme of China Merchants Bank Co., Ltd.</i>
Company	China Merchants Bank Co., Ltd.
Underlying Share(s)	shall comprise shares under the following three categories: (1) A Shares of the Company privately placed by the Company to implement the Scheme and being subscribed by the Scheme; (2) the share yield generated by the aforementioned shares from dividend distribution and capitalization during the term of the Scheme; and (3) the increased shareholding of the Company's A Shares as a result of the participation of the Scheme in the subsequent share placing of the Company
Target participants	core personnel of the Company being confirmed by the Company to be eligible to participate in the Scheme
Scheme Entitlement(s)	the equal portions of the Scheme divided in accordance with the amount of Underlying Shares held, while each Scheme Entitlement corresponds to one Underlying Share (such one share of Underlying Share included the corresponding cash assets (if any) of the Scheme); the Scheme Entitlements included initial entitlements and vesting entitlements and was recorded by the Asset Management Agency engaged by the Company
Holder's Meeting	meeting of all Scheme Holders
Initial Entitlements	the Scheme Entitlements prior to the vesting by the Company
Board	the Board of Directors of the Company
Senior Management Personnel	senior management personnel of the Company as stipulated in the Articles of Association
<i>Company Law</i>	<i>Company Law of the People's Republic of China</i>
<i>Articles of Association</i>	<i>Articles of Association of China Merchants Bank Co., Ltd.</i>
Shareholders' General Meeting	Shareholders' General Meeting of the Company

<b>Terms</b>	<b>Meaning</b>
Management Committee	a body elected at the Scheme Holders' Meeting for the daily administration of the Scheme
Vest	action by the Company to confirm the actual Entitlements of the Scheme actually entitled to the Scheme Holders based on a performance-linked assessment mechanism
Vesting Entitlements	The balance of the Scheme Entitlement after vesting by the Company. For the avoidance of doubt, when calculating the Vesting Entitlements, shares sold or transferred to the Scheme Holders according to the Scheme are excluded
Scheme Holders	Target Participants who make actual contribution to participate in the Scheme
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Yuan and Yuan (hundred million)	Renminbi and Renminbi (hundred million)
Asset Management Agency or Asset Manager	GF Securities Asset Management (Guangdong) Co., Ltd.
Asset Management Scheme	the asset management scheme dedicated for employees' shareholdings, namely GF Securities – China Merchants Bank ESOP Designated Asset Management Scheme, which is to be established by the Asset Management Agency engaged by the Scheme
<i>Securities Law</i>	<i>Securities Law of the People's Republic of China</i>
CSDC	China Securities Depository and Clearing Corporation Limited Shanghai Branch
CBRC	China Banking Regulatory Commission
CSRC	China Securities Regulatory Commission



## **II. Purpose and Principle of the Scheme**

### **(I) Purpose of the Scheme**

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

### **(II) Formulation of the Principles of the Scheme**

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

### III. Target Participants of the Scheme

- (I) Target participants of the Scheme, which number is limited to 8,500, are core personnel playing a crucial role in the Company's overall performance and mid and long-term development, including certain Directors, certain Supervisors, certain senior management personnel, middle-level cadres and key employees of the Company as well as senior management personnel of the Company's wholly-owned subsidiaries, of which Li Jianhong (Chairman), Ma Zehua (Vice Chairman) and Li Xiaopeng (Director) will not participate in the Scheme, while participation of other non-executive Directors and shareholder Supervisors in the Scheme is required to be reported to the relevant authorities for approval while independent non-executive Directors and external Supervisors shall not participate in the Scheme.
- (II) The total amount of Scheme Entitlements subscribed by the Directors, Supervisors and senior management personnel participating in the Scheme (Initial Entitlements) shall be no more than 7,070,000 units, representing not more than 1.63% of the total Scheme Entitlements (Initial Entitlements).
- (III) The specific total amount Scheme Entitlements subscribed by the Directors, Supervisors and senior management personnel shall be determined in accordance with the approval of the relevant authorities and the actual payment made by the aforementioned parties, while the final number of participants of other schemes and their Initial Entitlements shall be determined in accordance with the actual payment made by the participating targets. The final number of Scheme Holders in the Scheme and the its Initial Entitlements shall be determined according to the actual contribution of the Target Participants.
- (IV) In the event of any of the following circumstances, an employee shall fail to become a Scheme Holder:
1. the employee was publicly condemned or declared as inappropriate candidate by a securities exchange in the past three years;
  2. the employee was charged with administrative penalty by the CSRC for major violation of laws and regulations in the past three years;
  3. the employee had caused severe damage to the Company's interests, reputation and image due to the leakage of national or corporate secrets, corruption, theft, embezzlement, bribe-taking, bribe-giving, negligence, malfeasance and other acts in violation of national laws and regulations or acts in violation of public order, good morals as well as professional ethics and conduct in the past three years;
  4. a situation which is deemed by the Board that the employee fails to be become a holder of the Scheme;
  5. other situations as stipulated by relevant laws, regulations or normative documents that the employee fails to become a Holder of the Scheme.

#### **IV. Source of Funds, Source of Shares and Lock-up Period**

##### **(I) Source of funds of the Scheme**

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

##### **(II) Source of shares of the Scheme**

Shares to be subscribed for by the Scheme shall be derived from A Shares in the Company's Private Placement and the number of shares to be subscribed for shall not exceed 434,782,608 shares. If the issue price of the Private Placement was adjusted due to any ex-rights or ex-dividend issue occur(s) during the period from the pricing reference date to the issue date, the number of shares subscribed under the Scheme shall be adjusted accordingly.

The total number of Underlying Shares held under the Scheme must be in compliance with the provisions of relevant laws and administrative regulations and amounting to not more than 10% of the Company's total share capital; the total number of Underlying Shares corresponding to the Scheme Entitlements allotted to individual holders shall not, in aggregate, exceed 1% of the Company's total share capital. The total number of Underlying Shares held under the Scheme shall not include shares received by the holders prior to the Company's initial public offering, shares purchased by them in the secondary market and shares received through equity incentive plans. In the event of any change in relevant laws, administrative regulations, rules or normative documents in the future, the new requirements shall prevail.

##### **(III) Price of Underlying Shares**

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

If any ex-rights or ex-dividend issue occurs during the period from the pricing reference date to the issue date, the issue price and issue base price shall be adjusted accordingly.

(IV) No shares of the Company shall be disposed of under the Scheme during the following periods:

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

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

4. the period starting from the date when a material issue that may significant affect the Company's share price is known to two trading days after the issue is disclosed according to law.

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

In the event of any change in the relevant laws and administrative regulations in the future, the new requirements shall prevail.

## V. Term, Modification and Termination of the Scheme

- (I) The term of the Scheme is six years, commencing from the date when the Company makes an announcement on the registration of Underlying Shares under the Scheme; the lock-up period is the first 36 months of the term, and after the expiry of the lock-up period is the post-lock-up period. Upon obtaining the Board's approval of the proposal submitted by the Management Committee, the term can be extended.
- (II) During the lock-up period, the Scheme and the Asset Management Agency entrusted by the Scheme shall not dispose or transfer the Underlying Shares, whereas during the post-lock-up period, the Company shall determine whether the Scheme Holders is eligible to vesting and the actual amount that ultimately could be vested to such Scheme Holders according to the level of accomplishment of the result target of the Company for the year during the lock-up period<sup>2</sup> and the personal performance of the Scheme Holders.
- (III) During the post-lock-up period, when all assets corresponding to the Vesting Entitlements under the Scheme are currency funds, the Scheme may be terminated in advance upon being passed at the Holders' Meeting and approval by the Board.
- (IV) When there is a modification, merger or division of the Company's de facto control, the Scheme remains unchanged and continues to be implemented, except where the decision to modify or terminate the Scheme is reached at the Holders' Meeting and approved by the Board.
- (V) In the event of any one of the following circumstances, the Scheme shall be terminated in accordance with the provisions of the relevant laws, regulations, rules and normative documents:
  - 1. the term of the Scheme has expired;
  - 2. the Company has applied for bankruptcy, liquidation or dissolution;
  - 3. the continued implementation of the Scheme will lead to conflict with the then national laws, regulations, rules or normative documents;
  - 4. the Company faces serious operating difficulties or other important matters have occurred to the Company;
  - 5. other circumstances that the termination of the Scheme is required as stipulated by the relevant laws, regulations, rules and normative documents.

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<sup>2</sup> The result target shall become effective after being proposed to and passed by the Board.

(VI) After the Scheme was terminated, the procedures as required by the section VI of the Scheme (Vesting and Disposal of the Scheme Entitlements) shall be taken.

(VII) In the event of the retirement, death, incapacity, resignation, violation of law and regulation of the Scheme Holders, the following different measures shall be applied:

1. Retirement

Scheme Holder who retires due to reaching the age of retirement as set out by the State requirement and has accepted the obligation of non-competition, no change shall be made to his/her Scheme Entitlements. For Scheme Holder who retires during the lock-up period and refuses to assume the obligation of non-competition, the Company shall determine its Vesting Entitlements upon expiry of the lock-up period.

2. Death or incapacity

In the event of Scheme Holder leaving his/her original post due to reasons such as death or incapacity, no change shall be made to his/her Scheme Entitlements. Of which, the Scheme Entitlements of Scheme Holder who passed away shall be inherited by his/her lawful successor. In case where the aforementioned event occurs during the lock-up period, the Company shall determine his/her (or his/her lawful successor's) Vesting Entitlements upon expiry of the lock-up period.

3. Resignation

If during the lock-up period, the Scheme Holder tenders resignation voluntarily or chooses not to renew the labor contract upon the expiry of the labor contract, and has accepted the obligation of non-competition, no change shall be made to his/her Scheme Entitlements. For Scheme Holder who resigns or chooses not to renew the labor contract during the lock-up period, the Company shall determine his/her Vesting Entitlements upon expiry of the lock-up period.

#### 4. Non-compliance with law and regulation

If any of the following circumstances occurs to the Scheme Holder during the term of the Scheme, his/her right to participate in the Scheme shall be terminated automatically and such Scheme Holder shall withdraw from the Scheme automatically:

- (1) Violation of law and criminal offense by the Scheme Holder, or serious misconduct or fraudulent acts by him/her which caused material damage to the Company;
- (2) Violation of requirement in the regulation and policy of the Company such as labor contract, non-disclosure, obligation of non-competition or Employee Handbook by the Scheme Holder, whose action constitute a circumstance where the Company can directly terminate his/her labor contact.

In the event of the any of the above circumstances, the Company shall be entitled to dispose of the Scheme Entitlements and the corresponding Underlying Shares of such Scheme holder.

## VI. Vesting and Disposal of the Scheme Entitlements

- (I) Vesting and Disposal of the Scheme Entitlements after the expiry of the lock-up period
1. The Scheme Holder shall enjoy the Initial Entitlements under the Scheme based on his/her contribution. After the expiry of the lock-up period of the Scheme, in respect of the Initial Entitlements of each Scheme Holder and the corresponding cash portion of the assets (if any) which are eligible for vesting under the performance-linked assessment mechanism, the corresponding cash portion of the assets (if available) will be transferred by the Company to the bank account of the Scheme Holder in one-off, while for the corresponding Underlying Share in the portion of the assets, the Scheme Holder shall make application to choose one of the following handling methods:
    - (1) The Company makes application to the Asset Management Agency, the SSE and the CSDC on his/her behalf for transferring all the Underlying Shares to an individual account of the Scheme Holder in one-off, provided that it is supported by the then prevailing systems and rules of the SSE and the CSDC;
    - (2) The Asset Management Agency is entrusted by the Company on his/her behalf to dispose of all the Underlying Shares in one-off during the term of the Scheme and to deliver proceeds from the disposal to the Scheme Holder; the Scheme Holder shall specify the range of selling price and the time slot to sell in his/her application. If the time slot selected by the Scheme Holder falls into the period when selling of the shares of the Company is prohibited by laws and regulations, the *Articles of Association* or the Scheme, the Company is entitled to require the Scheme Holder to revise his/her choice, otherwise the application shall be invalid.
  2. If no application is proposed by the Scheme Holder in accordance with the aforementioned sub-clause 1, the Scheme Holder is deemed to agree to entrust the Asset Management Agency to continue to hold the aforementioned Underlying Shares during the term of the Scheme.
  3. After all Underlying Shares corresponding to the Scheme Entitlements entitled to the Scheme Holder are transferred to an account under the name of the Scheme Holder in accordance with the above item (1) of sub-clause 1 or are fully disposed of in accordance with item (2) of sub-clause 1 with proceeds being delivered to Scheme Holders in its entirety, the Scheme Holder shall withdraw from the Scheme automatically.
  4. Scheme Entitlements which cannot be vested to Scheme Holder as a result of performance assessment or any other reasons as stipulated under the Scheme shall be disposed of in compliance with laws and rules upon decision by the Board.



(II) The disposal of Scheme Entitlements upon termination of the Scheme

1. Upon termination of the Scheme, if the lock-up period has expired, the Scheme Holder shall apply for disposal of his/her Scheme Entitlements pursuant to the method in the aforementioned sub-clause 1 of clause (I). If the Scheme Holder fails to apply in a timely manner, the Company is entitled to choose one of the methods to carry out the disposal;
2. Upon termination of the Scheme, if the lock-up period has not expired, the Company shall organize to determine the vesting of equity interest in advance, and the Scheme Holder shall apply thereafter for disposal of his/her Scheme Entitlements of the Scheme pursuant to the method in the aforementioned sub-clause 1 of clause (I). If the Holder fails to apply in a timely manner, the Board is entitled to choose one of the methods to carry out the disposal.

(III) Rights attached to the Underlying Shares

1. Prior to the vesting pursuant to the Scheme and the Underlying Shares corresponding to the Vesting Entitlements pursuant to the requirements of the aforementioned clauses (I) or (II), neither the Scheme Holder nor the Scheme enjoys the voting right and power in respect of such Underlying Shares; after the transferring of Underlying Shares to the Scheme Holder or the selling of the Underlying Shares to third party, the Scheme Holder or the third party shall, in respect of the Underlying Shares, enjoy equal voting right, power and other shareholder's right with other shareholders of the Company.
2. During the term, in the event of dividend distribution and capitalization by the Company, the Scheme shall hold the additional shares derived from the Underlying Shares it held, and shall update the status of Scheme Entitlements based on the original Scheme Entitlements of each of the Scheme Holders and increase the number of Underlying Shares corresponding to their Scheme Entitlements.
3. During the term, the Scheme shall hold the cash dividend of the Company derived from the Underlying Share it held, which shall be first applied to pay for the relevant management fees charged by the entrusted Asset Management Agency and custodian bank. The remaining portion of the proceeds shall be used in increasing the amount of cash assets corresponding to the Scheme Entitlements of each of the Scheme Holders based on their original Scheme Entitlements.

(IV) Transfer Restriction of the Scheme Entitlements

Unless otherwise stipulated in the relevant provisions of the Scheme, the transfer of the Scheme Entitlements to which the Scheme Holder is entitled shall be prohibited.

(V) Way of participation by the Scheme at the time of the Company's fund raising

When the Company raises funds through rights issue, issue of additional share, convertible bonds or other means during the term of the Scheme, the Management Committee shall submit the matter to the Holders' Meeting for determining if the Scheme shall participate in such fund raising or not; if the Scheme participates in the fund raising, Scheme Holders shall separately contribute capital with their own funds.

## **VII. Holders' Meeting and its Convening and Voting Procedures**

### **(I) Rights and obligations of Scheme Holders**

Holders of the Scheme shall have the following rights:

1. participate in Holders' Meetings;
2. entitled to the Scheme Entitlements and the corresponding property interests in accordance with the requirements of the Scheme.
3. other rights as stipulated by laws and regulations and the requirements of the Scheme.

Holders of the Scheme shall have the following obligations:

1. contribute capital within the agreed period in accordance with their amount of subscription in the Scheme;
2. assume the risks of the Scheme in accordance with the Scheme Entitlements they are entitled to;
3. other obligations as stipulated by the laws and regulations and the requirements of the Scheme.

### **(II) Functions and powers of the Holders' Meeting**

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

1. decide on whether to participate in the Company's refinancing;
2. nominate and remove members of the Committee;
3. authorize the Management Committee to supervise the daily administration of the Scheme;
4. replace the Asset Management Agency and submit to the Board for approval;
5. other functions and powers that may be exercised by the Holders of the Scheme as stipulated by laws and regulations or the CSRC.

### (III) Procedures for convening Holders' Meetings

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

- (7) contact person and contact information;
- (8) date of issuance of the notice.

#### (IV) Voting procedures of the Holders' Meeting

##### Voting procedures of the Holders' Meeting:

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

#### (V) Network Meeting

Notwithstanding the above requirements, with the decision of the Management Committee and issuance of materials like notice of meeting and resolution by the management Committee to all the Scheme Holders as stipulated by the method for convening meetings in the above section III, the Holders' Meeting can also be convened through the network. The Company shall provide operational system support to the online voting by the Scheme Holders. The first Holders' Meeting shall convene through physical (including video) conference.

## **VIII. Management Committee and its Responsibilities**

- (I) The Scheme shall establish a Management Committee as the daily supervisory and administrative body of the Scheme to exercise the rights of shareholders on behalf of Holders.
- (II) The Management Committee comprises 5 members. All members of the Management Committee shall be assumed by Scheme Holders upon election at the Holders' Meeting. The Management Committee shall have one director whom shall be elected by more than half of all members of the Management Committee. The term of office of members of the Management Committee shall be the term of the Scheme (including extension period).
- (III) The Management Committee shall have the following functions and responsibilities:
  - (1) responsible for convening Holders' Meetings;
  - (2) supervise the daily administration of the Scheme on behalf of all Scheme Holders;
  - (3) responsible for the coordination with the Asset Management Agency;
  - (4) other responsibilities as authorized by the Holders' Meeting.
- (IV) The director of the Management Committee shall have the following functions and powers:
  - (1) preside over Holders' Meetings and convene and preside over meetings of the Management Committee;
  - (2) supervise and inspect the implementation of resolutions of the Holders' Meeting and the Management Committee;
  - (3) other functions and powers as granted by the Management Committee.
- (V) Meetings of the Management Committee shall be convened at least once a year and may be convened in an irregular manner and that they shall be convened by the director of the Management Committee. Notice of meeting shall be sent to all members of the Management Committee two working days prior to the meeting by post, telephone, facsimile, SMS messages, WeChat and other means.
- (VI) Meetings of the Management Committee may only be held when more than three members are present. Meetings of the Management Committee shall implement a one-person one-vote system and meeting resolutions may only be valid upon passing by more than half (including one-half) of the members of the Management Committee.
- (VII) Meetings of the Management Committee shall be attended by the members in person; if a member fails to attend the meeting for any reason, he may, in writing, appoint any other member to attend the meeting on his behalf.

## IX. Management of the Scheme

### (I) Management model

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

### (II) The Asset Management Agency of the Scheme

The Company (on behalf of the Scheme) shall entrust GF Securities Asset Management (Guangdong) Co., Ltd. as the Asset Management Agency of the Scheme and enter into an Asset Management Contract with it.

The Asset Management Agency shall carry out bookkeeping in respect of the Scheme Entitlements held by the Scheme Holders (including its corresponding number of Underlying Share and amount of cash asset) and events such as adjustment and movement incurred according to the Scheme.

### (III) Major provisions of the Asset Management Contract

1. The Asset Management Agency shall establish the GF Securities – China Merchants Bank ESOP Designated Asset Management Scheme. Such Asset Management Scheme shall receive the subscription proceeds from the Scheme Holders and use such proceeds to subscribe for A Shares under the Private Placement of the Company. The Company shall serve as the Asset Custodian of such Asset Management Scheme.

2. Scope of investment of the Asset Management Scheme:

- (1) A Shares to be issued by the Company through Private Placement;
- (2) other types of investment designated by the Company in writing in compliance with laws and regulations.

The investment ratio for the above assets are 0 – 100%.

3. Major investment restrictions

- (1) The Asset Manager shall rely only on the Trustor's Investment Mandate issued by the Company (Management Committee or authorized representatives of the Company) to invest and to realize the Underlying Shares upon the expiration of the lock-up period; without Trustor's Investment Mandate, the Asset Manager shall not carry out any investment, except otherwise agreed in the Asset Management Contract.

- (2) The lock-up period of the Underlying Shares to be subscribed through the Asset Management Scheme shall be 36 months, commencing from the time when the Company makes an announcement on the transferring of Underlying Shares to the Scheme. During the lock-up period, the subscriber shall not deal with any Underlying Shares or shares derived from them on the listing markets or in any way transfer the foregoing shares, and is also from transferring to transfer the Underlying Shares to Scheme Holders. Privately placed shares acquired through this transaction and shares derived from stock dividend distribution and capitalization of capital reserves shall also comply with the above lock-up arrangements.

#### 4. Investment Procedures

- (1) With respect to the shares acquired by the Asset Manager through participating in the Private Placement of the Company, it is not necessary for the Company to dispatch the Trustor's Investment Mandate separately, but the Asset Manager shall enter into a conditional Share Subscription Agreement with the Company.
- (2) Other than obtaining share(s) by the agreed manner as stipulated in item (1), unless with the written consent of the Company (or Management Committee of the authorized representatives of the Company), the Asset Manager shall not acquire any share and shall not carry out any other investment.
- (3) The selling of Underlying Share(s) and its yield shall be carried out in accordance with the following procedures:
  - a. The Company (Management Committee or authorized representatives of the Company) shall dispatch Trustor's Investment Mandate to the Asset Manager, which shall be stamped by the Management Committee or signed (stamped) by the authorized representatives of the Company prior to actual dispatch to the Asset Management Agency.
  - b. Upon reviewing and confirming the Trustor's Investment Mandate by the Asset Manager, the Asset Manager shall carry out transactions in accordance with the entrusted duties established thereunder.
  - c. The Asset Manager shall not carry out any investment operation or disposal in respect of the entrusted asset until the Company dispatches the Trustor's Investment Mandate.

#### 5. Transfer of Underlying Share and its yield

Subject to the then prevailing relevant laws and regulations and the supporting system and rules of CSDC, the Company (on behalf of the Scheme) is entitled to request the Asset Manager to transfer the Underlying Shares vested to the Scheme Holder to such Scheme Holder.



(IV) Asset management expenses

1. Expenses relating to the asset management include:
  - (1) management fee of the Asset Manager;
  - (2) custodian fee of the custodian;
  - (3) bank charges required in the appropriation and transfer of entrusted assets and the fees incurred from opening the relevant accounts;
  - (4) security trading fee, of which the share trading commission will be charged by the Asset Manager based on the relevant broker service standard;
  - (5) tax related to the investment activities of entrusted assets;
  - (6) other expenses that may be charged under entrusted assets in accordance with the laws and regulations and the agreements of the Asset Management Contract.
2. The expense accrual method and payment methods
  - (1) Management fee of the Asset Manager

The Asset Manager shall charge RMB1,000,000 per year as the fixed manager's fee, the payment shall be made once every 12 months starting from the date which the Asset Management Contract becomes effective, the date of payment shall be the last day of such month. The asset custodian shall paid to the Asset Manager in one-off from the entrusted assets pursuant to the instruction of the Asset Manager. If the date of payment is a holiday, the payment shall be postponed to the first working day after the holiday; if on the date of payment, all of the entrusted assets are Underlying Shares, the payment shall be postponed to the date when cash asset is available for the share dividend payment of the Underlying Shares or in the entrusted assets. If the subsequent date of payment is less than 1 year apart from the last date of payment, the manager fee charged in that year = days of the term of the entrusted asset for that year  $\div$  365  $\times$  management fee per year (RMB1,000,000).

If the cash under the Asset Management Scheme at the time is insufficient to pay for the current management fee, the insufficient portion shall be paid along with the subsequent management fee payment, until the insufficient portion is fully paid up.

(2) Custodian fee of the asset custodian

The asset custodian shall charge RMB300,000 per year as the fixed custodian fee, the payment shall be made once every 12 months starting from the effective date of the Asset Custodian Contract (if any) or Asset Management Contract, the date of payment shall be the last day of such month. The asset custodian shall charge in one-off from the custodian account. If the date of payment is a holiday, the payment shall be postponed to the first working day after the holiday; if on the date of payment, the amount in the custodian account is insufficient, the payment of the insufficient portion shall be postponed to the date when cash asset is available in the custodian account. If the subsequent date of payment is less than 1 year apart from the last date of payment, the custodian fee charged in that year = days of term of the entrusted assets for that year  $\div 365 \times$  custodian fee per year.

If the cash under the Asset Management Scheme at the time is not sufficient to pay for the current custodian fee, the insufficient portion shall be paid along with the subsequent custodian fee, until the insufficient portion is fully paid up.

- (3) Other fees shall be paid based on the amount of charge expenses and shall be charged or allocated to the current operation expense of the entrusted assets pursuant to the requirements of relevant laws and regulations and the corresponding agreements.
- (4) Expenses or loss of entrusted property due to the failure of the Asset Management Agency and the asset custodian to perform or fully perform their obligations as well as costs incurred in the processing of matters irrelevant to the entrusted activities shall neither be included into the entrusted property operating expenses nor the asset management expenses.

## **X. Procedures Required for Performing the Scheme**

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

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

After the Scheme is considered and approved, the shareholders' general meeting shall authorize and consent to the Board to delegate to the relevant external agency(ies) or person(s) to process the relevant matters of the Scheme. Specific matters to be authorized are set out as follows:

- (I) to consider the amendment, termination (including termination in advance) or extension of the Scheme;
- (II) to determine and modify the Company and personal performance assessment requirements for vesting, and pursuant to the agreement in the Scheme, to organize a performance assessment on the Scheme Holders and determine the Vesting Entitlements based on the assessment;
- (III) to determine the essential matters concerning the participation by the Directors, Supervisors and senior management personnel in the Scheme throughout the term of the Scheme;
- (IV) to determine on the changes of Asset Management Agency and asset management contract relating to the Scheme;
- (V) other specific matters to be authorized to the Board for management of the Scheme.

## **XII. Others**

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