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BEA 東亞銀行

The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

(Stock Code: 23)

**NOTICE OF EXTRAORDINARY GENERAL MEETING,
AMENDMENTS TO ARTICLES OF ASSOCIATION,
ISSUE OF SUBSTITUTE PREFERENCE SHARES
AND
RE-ELECTION OF DIRECTOR**

The notice of Extraordinary General Meeting of The Bank of East Asia, Limited to be held at Grand Ballroom, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 4th December, 2009 at 10:30 a.m. ("**EGM**") is set out on pages 5 to 6 of this circular.

Whether or not you are able to attend the EGM, please complete the accompanying Proxy Form in accordance with the instructions printed thereon and return it to the Bank's Share Registrars, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the EGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

11th November, 2009

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This Document in both English and Chinese is now available in printed form and on the website of the Bank at <http://www.hkbea.com>.

Shareholders are encouraged to rely on the website version to help reduce the quantity of printed copies of Corporate Communications and hence the impact on the environment. In this connection, Shareholders are requested to send a notice in writing to the Bank's Registrars, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong or by fax to (852) 2861 1465.

DEFINITIONS

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

“Articles of Association”	the articles of association adopted by the Bank from time to time;
“Assignment Event”	<ul style="list-style-type: none">(i) the deferral of payment of any interest on any Note in accordance with the terms and conditions of the Notes;(ii) a Substitution Event;(iii) any default made in the payment of any amount of principal in respect of the Notes or of any amount of interest in respect of the Notes in accordance with the terms and conditions of the Notes;(iv) following the giving of a valid redemption notice by Innovate in respect of the Innovate Preference Shares, the date scheduled for redemption in such notice;(v) the business day prior to the maturity date of the Notes;(vi) any date designated by Innovate in its absolute discretion as being the date of assignment; or(vii) any date designated by the HKMA in its absolute discretion as being the date of automatic exercise of the assignment;
“Bank”	The Bank of East Asia, Limited, a company incorporated in Hong Kong with limited liability;
“Board”	the board of Directors or a duly authorised committee thereof;
“Companies Ordinance”	The Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Consolidated Subsidiaries”	any subsidiary of the Bank or any other entity, in each case the financial statements of which are required by the Hong Kong Financial Reporting Standards to be consolidated with the financial statements of the Bank;
“Director(s)”	the director(s) of the Bank;

DEFINITIONS

“Distributable Profits”	<p>the aggregate of the consolidated net profits after tax of the Bank and its Consolidated Subsidiaries (determined before any payments of interest, dividends or other distributions by the Bank or any of its Consolidated Subsidiaries on any category I core capital or category II supplementary capital or other securities ranking <i>pari passu</i> with such capital but after the deduction (if any) of amounts required by the HKMA to be transferred to the reserves of the Bank on a consolidated basis) for the immediately preceding two six-month financial periods for which results have been announced publicly, less the aggregate amount of interest, dividends, distributions or other amounts paid, determined to be paid or liable to be paid by the Bank or any of its Consolidated Subsidiaries in the twelve month period to and including the applicable dividend payment date on:</p> <ul style="list-style-type: none">(i) any class of share capital of the Bank;(ii) the Notes, the Innovate Preference Shares or the Substitute Preference Shares; and(iii) any other category I core capital or category II supplementary capital of the Bank or any of its Consolidated Subsidiaries or securities ranking <i>pari passu</i> with such capital, <p>but excluding dividends payable on the Substitute Preference Shares on the relevant dividend payment date;</p>
“EGM”	<p>an extraordinary general meeting of the Bank to be held at Grand Ballroom, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 4th December, 2009 at 10:30 a.m. or any adjournment thereof;</p>
“Euroclear and Clearstream”	<p>Euroclear Bank S.A./N.V. and Clearstream Banking société anonyme;</p>
“Group”	<p>the Bank and its subsidiaries;</p>
“Guarantee”	<p>the deed of guarantee entered into by the Bank on the Notes Issue Date providing for the guarantee from the Bank in respect of certain payment obligations of Innovate under the Innovate Preference Shares;</p>
“HKMA”	<p>the Hong Kong Monetary Authority;</p>
“Initial Purchaser”	<p>UBS Limited, a company incorporated in England and Wales with limited liability;</p>

DEFINITIONS

“Innovate”	Innovate Holdings Limited, a wholly owned subsidiary of the Bank incorporated in the British Virgin Islands with limited liability incorporated solely for the purposes of issuing the Innovate Preference Shares and undertaking transactions relating to the issue of Innovate Preference Shares;
“Innovate Preference Shares”	the perpetual non-cumulative step-up preference shares of no par value with a liquidation preference of US\$1,000 each issued by Innovate on the Notes Issue Date as part of the Issue;
“Issue”	the issue of the Notes by the Bank and the Innovate Preference Shares by Innovate which include the potential issue of the Substitute Preference Shares by the Bank on the occurrence of a Substitution Event;
“Joint Lead Managers”	UBS AG and Deutsche Bank AG, Singapore Branch, the joint lead managers for the Issue;
“Latest Practicable Date”	5th November, 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“LIBOR”	The London Inter-Bank Offered Rate, which will be determined pursuant to the terms and conditions of the Notes, the Innovate Preference Shares and the Substitute Preference Shares;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Managers”	the Joint Lead Managers, BNP Paribas, CALYON and The Hongkong and Shanghai Banking Corporation Limited;
“Notes”	the step-up subordinated notes due 2059 in an aggregate principal amount of US\$500,000,000 issued by the Bank on the Notes Issue Date as part of the Issue;
“Notes Issue Date”	5th November, 2009;
“Offering Circular”	an offering circular dated 29th October, 2009 issued by the Bank and Innovate to investors in connection with the offering and issuance of the Notes by the Bank and the Innovate Preference Shares by Innovate which set out details of the offering structure and the terms and conditions of the Issue;
“SGX-ST”	Singapore Exchange Securities Trading Limited;
“Shareholders”	holders of the fully paid ordinary shares of HK\$2.50 each of the Bank (or such nominal amount prevailing from time to time);

DEFINITIONS

“Subscription Agreement”	the subscription agreement dated 29th October, 2009 entered into between the Bank, Innovate, the Initial Purchaser and the Managers in respect of the subscription of the Notes and the Innovate Preference Shares in connection with the Issue;
“Substitute Preference Shares”	the perpetual non-cumulative step-up preference shares having a par value of US\$1,000 each to be created, and issued upon the occurrence of a Substitution Event, by the Bank as a term of the Issue;
“Substitution Deed”	the deed entered into by, among others, Innovate and the Bank on the Notes Issue Date, pursuant to which the Innovate Preference Shares shall, on the occurrence of a Substitution Event, be cancelled and substituted for the Substitute Preference Shares;
“Substitution Event”	<ul style="list-style-type: none">(i) the HKMA determines in writing that the Bank has a capital adequacy ratio of less than 8% or such other percentage as the HKMA shall stipulate from time to time, as being the minimum required capital adequacy ratio for licensed banks, provided that a Substitution Event will not be deemed to have occurred until the end of any grace period allowed by the HKMA for the Bank to bring its capital adequacy ratio above 8% or such other stipulated percentage;(ii) a winding-up proceeding is instituted in Hong Kong against the Bank and is not dismissed within 30 business days from the initial date of institution; or(iii) the HKMA exercises its power to appoint a manager of the Bank under Section 52 of the Banking Ordinance (Cap.155) of Hong Kong;
“Transaction Documents”	include the Offering Circular, the Subscription Agreement, the Substitution Deed and the Guarantee, and the assignment deed, the stapling deed, the payment direction deed, the trust deed, the note agency agreement and the preference share agency agreement entered into on the Notes Issue Date by, among others, the Bank, Innovate, the Initial Purchaser and/or the Managers (as the case may be) in connection with the Issue;
“Unit(s)”	a trading unit comprising one Note and one Innovate Preference Share that trades in denomination of US\$1,000 and that prior to the date of assignment may not be traded separately from one another; and
“US\$”	U.S. dollars, the lawful currency of the United States of America.

NOTICE OF EXTRAORDINARY GENERAL MEETING

The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting of the members of the Bank will be held at Grand Ballroom, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 4th December, 2009 at 10:30 a.m. for the following purposes:

To consider, and if thought fit, pass with or without amendments, the following resolutions:

SPECIAL RESOLUTION:

- (1) "THAT
- (a) the authorised share capital of the Bank be and is hereby increased by US\$500,000,000 by the creation of 500,000 Substitute Preference Shares of US\$1,000 each, with the rights and subject to the restrictions set out in the Bank's Articles of Association as amended by this Resolution;
 - (b) the Articles of Association of the Bank be and are hereby amended as follows:
 - (i) by inserting a new Article 4C with the following terms after the existing Article 4B:

'Rights of Substitute Preference Shares

Each Substitute Preference Share in the Company shall have attached thereto the rights and restrictions as set out in "Schedule A" attached to these Articles';
 - (ii) by inserting a new Schedule A with the terms as set out in Appendix I to the circular issued by the Bank of even date herewith after the existing Article 135; and
 - (c) the Board of Directors be and is hereby authorised to issue and allot 500,000 Substitute Preference Shares of US\$1,000 each in the aggregate value of US\$500,000,000 which fall to be issued upon the occurrence of a Substitution Event to the then holders of the Innovate Preference Shares according to the terms of the Substitution Deed and the Transaction Documents."

ORDINARY RESOLUTION:

- (2) "THAT Dr. Isidro FAINÉ CASAS be and is hereby re-elected as a director of the Bank."

By Order of the Board

Molly HO Kam-lan

Company Secretary

Hong Kong, 11th November, 2009

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (a) *For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the Register of Members of the Bank will be closed on Thursday, 3rd December, 2009 and Friday, 4th December, 2009. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, by 4:00 p.m. Wednesday, 2nd December, 2009.*
- (b) *A member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote in his place. A proxy needs not be a member.*
- (c) *The Articles of Association of the Bank are written in English. The Chinese version of the amendments of the Articles of Association as set out in Appendix I to the circular of the Bank dated 11th November, 2009 (the "**Circular**") is a translation for reference only. Should there be any discrepancies, the English version will prevail.*
- (d) *As set out in the letter from the Board included in the Circular, the Board of Directors of the Bank recommends the Shareholders to vote in favour of the resolutions to be proposed at the EGM. Please refer to the Circular for details of the matters for which the resolutions are concerned.*

LETTER FROM THE BOARD

The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

Executive Director:

Dr. The Hon. Sir David LI Kwok-po (*Chairman & Chief Executive*)

Registered Office:

10 Des Voeux Road Central
Hong Kong

Non-executive Directors:

Professor Arthur LI Kwok-cheung (*Deputy Chairman*)

Mr. Aubrey LI Kwok-sing

Dr. William MONG Man-wai

Tan Sri Dr. KHOO Kay-peng

Mr. Richard LI Tzar-kai

Mr. Eric LI Fook-chuen

Mr. Stephen Charles LI Kwok-sze

Dr. Isidro FAINÉ CASAS

Independent Non-executive Directors:

Dr. Allan WONG Chi-yun (*Deputy Chairman*)

Mr. WONG Chung-hin

Dr. LEE Shau-kee

Mr. Winston LO Yau-lai

Mr. Thomas KWOK Ping-kwong

Mr. Kenneth LO Chin-ming

Mr. William DOO Wai-hoi

Mr. KUOK Khoon-ean

Mr. Valiant CHEUNG Kin-piu

11th November, 2009

To the Shareholders

Dear Sir or Madam,

1. INTRODUCTION

The purpose of this circular is to provide you with information in connection with the convening of the EGM and explanation in connection with the matters to be dealt with at the EGM.

Issue of the Notes, the Innovate Preference Shares and the Substitute Preference Shares

Reference is made to the previous announcements made by the Bank dated 23rd October, 2009 and 30th October, 2009 regarding the offer and issue of Hybrid Tier 1 capital instruments comprising the Notes and the Innovate Preference Shares.

LETTER FROM THE BOARD

Pursuant to the Subscription Agreement, on the Notes Issue Date, the Bank has issued the Notes and Innovate has issued the Innovate Preference Shares. As a term of the Issue, in limited circumstances (each a Substitution Event), the Innovate Preference Shares will be cancelled and substituted by the Substitute Preference Shares to be issued by the Bank at the ratio of one Innovate Preference Share in exchange for one Substitute Preference Share to the holders of the Innovate Preference Shares at that time.

Pursuant to the Subscription Agreement, the Managers have procured subscription for 500,000 of the Units at the aggregate subscription price of US\$500,000,000, with each Unit comprising (i) one Note which initially bears a fixed interest rate of 8.50% per annum and, after ten years, bears a step-up floating interest rate of 3-month LIBOR plus 7.3605% per annum; and (ii) one Innovate Preference Share with a liquidation preference of US\$1,000. No dividend will be payable on the Innovate Preference Shares until the occurrence of an Assignment Event. The payment of dividends and other payments under the Innovate Preference Shares (when the same are due and payable and not deferred) will be guaranteed by the Bank pursuant to the Guarantee.

The Notes and the Innovate Preference Shares have been listed on SGX-ST on 6th November, 2009. The Notes and the Innovate Preference Shares are traded as stapled Units. The Units have been accepted for clearance through Euroclear and Clearstream and transfers of Units will be effected only through records maintained by Euroclear and Clearstream.

Under the Substitution Deed, the Bank has undertaken, in the case that the Substitute Preference Shares are issued, to use all reasonable endeavours to obtain and maintain a listing of the Substitute Preference Shares on either SGX-ST or The Stock Exchange of Hong Kong Limited. As of the Latest Practicable Date, as no Substitute Preference Share has been issued, the Bank has not decided on the suitable place of listing of the Substitute Preference Shares. It is intended that the Bank will decide on this matter if and when the Substitute Preference Shares are actually issued. If the Bank decides to list the Substitute Preference Shares on The Stock Exchange of Hong Kong Limited, it will comply with the then applicable requirements under the Listing Rules, which may (if required) include the issue of an appropriate listing document.

To the best of the Directors' knowledge, information and belief, the Managers and the Initial Purchaser and their respective beneficial owner(s) are independent of and not connected with the Bank and its connected persons. The allottees of the Units have confirmed with the Managers that they, and their beneficial owners, are not "substantial shareholders" of the Bank or otherwise a "connected person" of the Bank as those terms are defined in the Listing Rules.

Use of Proceeds

The net proceeds of the Issue after paying the selling, management and underwriting commissions to the Managers and other distributors, and other expenses in connection with the Issue will be approximately US\$494,300,000. The Bank intends to apply these proceeds for general working capital purposes.

2. IMPLICATIONS ON THE BANK AND THE SHAREHOLDERS

The Units have been approved by the HKMA to qualify as category I core capital of the Bank and it is expected that category I core capital of the Group will increase from 8.41% as of 30th June, 2009 to 9.84%. Being the first bank to launch the issue of Hybrid Tier 1 capital instruments in Hong Kong, the

LETTER FROM THE BOARD

Bank believes that this exercise offers investors an attractive investment opportunity in one of the leading franchises in Hong Kong. Whilst the Notes are entitled to a step-up annual interest rate after the tenth anniversary of its issue in 2019, the Bank (through Innovate) has an option to essentially redeem the Notes (through exercising an option to redeem the Innovate Preference Shares or the Substitute Preference Shares (as the case may be)). The Bank believes that this option provides the Bank with flexibility to explore funding and refinancing alternatives.

As the Substitute Preference Shares would only be required to be issued in very limited circumstances (each a Substitution Event, such as upon the winding-up of the Bank or its failure to meet the level of capital adequacy ratio prescribed by the HKMA) and as the Substitute Preference Shares, if issued, will generally be non-voting, the Bank believes that the voting rights of the Shareholders would not be affected (except in exceptional circumstances described in paragraph 21 of the proposed amendments to the Articles of Association of the Bank set out in Appendix I to this circular). As of the Latest Practicable Date, the Bank has complied with the capital adequacy ratio prescribed by the HKMA.

Whilst the holders of the Substitute Preference Shares, upon their issue, will be entitled to preferential dividends, the Bank is only required to make full payment of dividends if there are sufficient Distributable Profits to meet such payment. The dividend right of the Substitute Preference Shares will be subordinated to all debts of the Bank.

The Bank has not conducted any equity fund raising activities in the 12 months prior to the Latest Practicable Date and other than the Issue, the Bank currently has no immediate plans to pursue other fundraising options.

3. EGM AND THE PROPOSED RESOLUTIONS AT THE EGM

EGM

The Bank has undertaken in the Subscription Agreement to convene an extraordinary general meeting of the Bank for the purposes of considering, and if thought fit, passing a resolution providing for the creation and, upon the occurrence of a Substitution Event, issue of the Substitute Preference Shares and to use its best endeavours to obtain the approval of the Shareholders for such issue of the Substitute Preference Shares. In this connection, it is also proposed that the Articles of Association of the Bank will be amended to create the Substitute Preference Shares and entrench the terms of the Substitute Preference Shares into the Articles of Association of the Bank. Once the proposed amendments are approved, they will form part of the constitutional documents of the Bank governing the relationship between the Bank and the holders of the Substitute Preference Shares (if any).

The Notes and the Innovate Preference Shares have been issued on the Notes Issue Date prior to the extraordinary general meeting. However, if the Bank does not, within 180 days of the Notes Issue Date, obtain the necessary approval from the Shareholders for the creation and issue of the Substitute Preference Shares, the Innovate Preference Shares may be redeemed, and the Notes will accordingly be assigned from the investors to Innovate, at the option of Innovate in whole at an amount equal to 101% of the liquidation preference of such Innovate Preference Shares. This in effect would mean that the Bank will be able to (through Innovate) unwind the Issue at a fee representing 1% of the aggregate subscription price of the Units, namely US\$5,000,000. This fee represents the cost of the Bank to utilise the funds derived from the Issue from the Notes Issue Date to the time when the Bank (through Innovate) exercises the option to redeem the Innovate Preference Shares (and hence the Notes).

LETTER FROM THE BOARD

In this connection, Resolution (1) below will be proposed for consideration, and if thought fit passing, by the Shareholders at the EGM. Please refer to Appendix I to this circular for the amendments to the Articles of Association of the Bank proposed to be made in connection with the potential issuance and allotment of the Substitute Preference Shares and Appendix II to this circular for a summary of the principal terms of the Substitute Preference Shares.

Shareholders who have a material interest in the Issue shall abstain from voting at the EGM (which would include Shareholders who have received an allocation of the Units or who hold any Unit or otherwise have a direct or indirect interest in the Units).

The Board has no present intention to issue the Substitute Preference Shares, which are to be issued only on the occurrence of a Substitution Event in accordance with the terms of the Substitution Deed and the Transaction Documents.

A notice convening the EGM is set out on pages 5 to 6 of this circular.

A proxy form for use at the EGM is enclosed. Whether or not you are able to attend the EGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and return it to the Bank's Share Registrars, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the EGM. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM should you so wish.

For the purpose of determining the Shareholders who are entitled to attend and vote at the EGM, the Register of Members of the Bank will be closed on Thursday, 3rd December, 2009 and Friday, 4th December, 2009. In order to qualify for attending and voting at the EGM, all transfer documents should be lodged for registration with the Bank's Share Registrars by 4:00 p.m. Wednesday, 2nd December, 2009.

Resolutions to be proposed at the EGM

Resolution (1) – Increase in Authorised Share Capital, Amendments to the Articles of Association and Issue and Allotment of the Substitute Preference Shares

A special resolution will be proposed at the EGM to:

- (a) increase the authorised share capital of the Bank by US\$500,000,000, being the aggregate of the par value of US\$1,000 each of the 500,000 Substitute Preference Shares which fall to be issued by the Bank upon the occurrence of a Substitution Event according to the terms of the Substitution Deed and the Transaction Documents;
- (b) amend the Articles of Association of the Bank to entrench the terms of the Substitute Preference Shares into the Articles of Association of the Bank, which amendments are set out in Appendix I to this circular; and
- (c) grant to the Board of Directors of the Bank the authority to issue and allot 500,000 Substitute Preference Shares in the aggregate value of US\$500,000,000 to the then holders of the Innovate Preference Shares according to the terms of the Substitution Deed and the Transaction Documents. A summary of the principal terms of the Substitute Preference Shares are set out in Appendix II to this circular.

LETTER FROM THE BOARD

Resolution (2) – Re-election of Director

In accordance with Article 75 of the Articles of Association, Dr. Isidro FAINÉ CASAS (“**Dr. Fainé**”), who was appointed as a non-executive Director on 1st June, 2009, will retire at the EGM and, being eligible, offers himself for re-election. Details of Dr. Fainé (including his biography) are set out in Appendix III to this circular. An ordinary resolution will be proposed at the EGM for the re-election of Dr. Fainé as a Director of the Bank.

Dr. Fainé shall be re-elected for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of the Bank held in the third year following the year of his appointment.

The re-appointment of Dr. Fainé has been reviewed by the Nomination Committee of the Bank which made recommendation to the Board that the re-election be proposed for Shareholders’ approval at the EGM.

4. FURTHER INFORMATION ABOUT THE ISSUE AND THE SUBSTITUTE PREFERENCE SHARES

To assist the Shareholders to consider the matters to be resolved at the EGM and to assist the Shareholders to understand the implications of the Issue on the Bank and on the Shareholders, further information about the Issue and the Substitute Preference Shares are set out below:

(a) What are Hybrid Tier 1 capital instruments?

Hybrid Tier 1 capital instruments are a combination of capital instruments that have both debt and equity features. This covers a variety of instruments, such as preference shares, that are not purely equity but have been considered similar enough to equity to count towards a bank’s category I core capital – a key measure of a bank’s financial strength.

The specifics of the structure of the Units have been reviewed by the HKMA and it has confirmed that the Units satisfied the requirements to achieve category I core capital classification of the Bank.

(b) What are the reasons for the Issue and in particular, from the perspective of the funding requirements of the Bank?

The Bank’s assets are primarily funded through retail banking business and deposits, which together make up approximately 90% of its funding source. The Bank is always watchful for strategic and market opportunities, and explores viable options as they arise. As market sentiment is improving, the Bank believes that the current environment presents an opportunity for the Bank to steer towards a more optimal capital mix. The Bank expects that the current fundraising exercise will enable the Bank to strengthen its core capital and pave the way for future growth.

In addition, as the Issue has been distributed to investors in Asia and Europe, the Bank believes that this could enhance the Bank’s profile internationally.

LETTER FROM THE BOARD

(c) How will the net proceeds from the Issue be applied?

The net proceeds of the Issue after paying the selling, management and underwriting commissions to the Managers, and other distributors and other expenses in connection with the Issue will be approximately US\$494,300,000. The Bank intends to apply these proceeds for general working capital purposes.

(d) What is the impact of the Issue on a Shareholder's rights?

The Units are qualified for regulatory capital treatment and their issuance will not create any material dilutive effect on the distribution to, nor affect the voting rights of, the Shareholders of the Bank. If a Substitution Event occurs, the Bank would be required under the terms of the Transaction Documents to issue the Substitute Preference Shares. Upon the issue and allotment of the Substitute Preference Shares, the issued share capital of the Bank will increase by US\$500,000,000 and 500,000 Substitute Preference Shares. As such, the rights of the Shareholders will be diluted to the effect that holders of the Substitute Preference Shares will be entitled to dividends in preference to the Shareholders and will rank above the rights of the Shareholders to receive distributions in the event of a liquidation of the Bank.

As the Substitute Preference Shares would only be required to be issued in very limited circumstances (each a Substitution Event, such as upon the winding-up of the Bank or its failure to meet the level of capital ratio prescribed by the HKMA) and as the Substitute Preference Shares, if issued, will generally be non-voting, the Bank believes that the voting rights of the Shareholders would not be affected (except in exceptional circumstances described in paragraph 21 of the proposed amendments to the Articles of Association of the Bank set out in Appendix I to this circular). As of the Latest Practicable Date, the Bank has complied with the capital adequacy ratio prescribed by the HKMA.

(e) The Bank has to pay a fixed interest rate of 8.50% per annum on the Notes (or dividends on the Innovate Preference Shares or the Substitute Preference Shares, as the case may be) for the first ten years. How will these payments impact on the final/interim dividends payable to the Shareholders?

The Bank has entered into interest rate swaps to manage the interest rate risk arising from the Issue. Inevitably, however, the interest payments on the Notes and payments of dividends on the Innovate Preference Shares and, if issued, on the Substitute Preference Shares, will have an impact on the final/interim dividends to the Shareholders as these instruments rank higher than the Shareholders in terms of payments.

Notwithstanding the Issue, it remains the intention of the Bank to maintain the dividend payout ratio at the level of about 60% to the Shareholders who hold ordinary shares of the Bank.

(f) What are the ratings for the Issue as they compared with the Bank's long-term ratings?

As of the Latest Practicable Date, the Units have been rated Baa1 by Moody's and BBB- by Standard & Poor's, as compared with the Bank's long-term ratings of A2 by Moody's and A- by Standard & Poor's. The Bank considers that the difference in the notching differential between the two agencies is not uncommon for peer bank ratings across the region. The difference between the Units' ratings

LETTER FROM THE BOARD

and the Bank's long-term ratings is also in line with other banks which have issued similar capital instruments in the United States, Europe and Japan. The Bank considers that these ratings of the Units and the level of interests payable on the Units reflect the subordinated nature of the Units.

(g) Who can vote in the EGM to approve the issue of the Substitute Preference Shares?

Shareholders who have a material interest in the Issue shall abstain from voting at the EGM (which would include Shareholders who have received an allocation of the Units or who hold any Unit or otherwise have a direct or indirect interest in the Units).

(h) What will happen if the issue of the Substitute Preference Shares is not approved by the Shareholders?

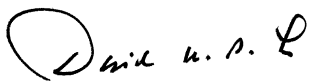
If, within 180 days of the Notes Issue Date, the Bank does not obtain the necessary approval from the Shareholders for the creation and issue of the Substitute Preference Shares, the Innovate Preference Shares may be redeemed, and the Notes will accordingly be assigned from the investors to Innovate, at the option of Innovate in whole at an amount equal to 101% of the liquidation preference of such Innovate Preference Shares. This in effect would mean that the Bank will be able to (through Innovate) unwind the Issue at a fee representing 1% of the aggregate subscription price of the Units, namely US\$5,000,000. This fee represents the cost of the Bank to utilise the funds derived from the Issue from the Notes Issue Date to the time when the Bank (through Innovate) exercises the option to redeem the Innovate Preference Shares (and hence the Notes).

If the resolution for the creation and issue of the Substitute Preference Shares were not passed by the Shareholders, the Bank may consider other alternatives as appropriate so as to optimise its capital mix. As of the Latest Practicable Date, the Bank has not identified any such fund raising alternatives.

RECOMMENDATION

The Directors consider that the terms and conditions of the Issue are fair and reasonable and are in the interests of the Bank and its Shareholders and accordingly recommend that all Shareholders vote in favour of the resolutions to be proposed at the EGM.

Yours faithfully
By the Order of the Board



David Li Kwok-po
Chairman & Chief Executive

This appendix sets out the proposed amendments to the Articles of Association, as follows:

New Article 4C – Rights of Substitute Preference Shares

- 4C. Each Substitute Preference Share in the Company shall have attached thereto the rights and restrictions as set out in “Schedule A” attached to these Articles.

New Schedule A – Substitute Preference Share Terms

General

1. The Substitute Preference Shares are created pursuant to a resolution of the Shareholders of the Company dated 4th December, 2009 and a resolution of the Board of Directors of the Company dated 19th October, 2009 and, when issued, will be fully paid at their nominal value of US\$1,000 per Substitute Preference Share. The Substitute Preference Shares rank *pari passu* without any preference among themselves and in priority to the Ordinary Shares.

Dividends

Entitlement to dividend

2. Subject to the limitations, discretions and qualifications set out in these Articles, each Substitute Preference Share shall entitle the holder thereof to receive out of the profits of the Company available for distribution and permitted by law to be distributed, in priority to the payment of any dividend to holders of Ordinary Shares but *pari passu* among themselves, a non-cumulative preferential dividend from, and including, the Interest Payment Date immediately prior to the Assignment Date to, but excluding, 5th November, 2019 at the Dividend Rate payable semi-annually in arrear on 5th May and 5th November in each year (each, a “**Dividend Payment Date**”) and thereafter at the Dividend Rate payable quarterly in arrear on 5th February, 5th May, 5th August and 5th November in each year (each, a “**Dividend Payment Date**”), provided however that, commencing on 5th November, 2019, if any Dividend Payment Date would otherwise fall on a day which is not a Business Day, it will be postponed to the next Business Day unless it would thereby fall into the next calendar month, in which case it will be brought forward to the preceding Business Day.

Subject to the limitations, discretions and qualifications set out in these Articles, each Substitute Preference Share shall entitle the holder thereof to receive out of the profits of the Company available for distribution and permitted by law to be distributed, in priority to the payment of any dividend to holders of Ordinary Shares but *pari passu* among themselves, an Initial Dividend. The Initial Dividend will be payable on the first Dividend Payment Date occurring on or immediately after the Issue Date. If, as a result of the limitations, discretions and qualifications set out in these Articles, the Initial Dividend is not paid on the first Dividend Payment Date occurring immediately after the Issue Date such Initial Dividend will be cancelled and no holder shall have any claim in respect thereof, whether on a Winding-Up or otherwise.

Each Substitute Preference Share will cease to bear a dividend from the date fixed for redemption unless, upon the date fixed for redemption, payment of the liquidation preference is improperly withheld or refused, in which case it will continue to bear a dividend at the prevailing Dividend Rate (both before and after judgement) until the day on which all sums due in respect of such Substitute Preference Share up to that day are received by or on behalf of the relevant holder.

The period beginning on (and including) the Interest Payment Date immediately prior to the Assignment Date (or, if none, the Issue Date) and ending on (but excluding) the first Dividend Payment Date and each successive period beginning on a Dividend Payment Date and ending on (but excluding) the next Dividend Payment Date is called a “**Dividend Period**”.

Calculation of dividend

3. The dividend in respect of any Substitute Preference Share shall be calculated per US\$1,000 of liquidation preference of the Substitute Preference Shares (the “**Calculation Amount**”). The amount of dividend payable per Calculation Amount for any Dividend Period:
 - (i) prior to 5th November, 2019, shall be calculated by applying the Dividend Rate to the Calculation Amount and multiplying such product by the Day-Count Fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards); and
 - (ii) commencing on or after 5th November, 2019, shall be calculated by applying the Dividend Rate to the Calculation Amount and multiplying such product by the actual number of days in the Dividend Period concerned divided by 360 and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

The Day-Count Fraction referred to above shall be calculated on the basis of a 360 day year of twelve 30 day months.

Rate of dividend

4. The dividend rate (“**Dividend Rate**”) applicable to the Substitute Preference Shares shall be:
 - (i) at a fixed rate (“**Fixed Dividend Rate**”) for the period from, and including, the Issue Date to but excluding, 5th November, 2019 of 8.50% per annum; and
 - (ii) at a floating rate (“**Floating Dividend Rate**”) for the period from, and including, 5th November, 2019, of LIBOR plus 7.3605% per annum.

Determination of Floating Dividend Rate and Floating Dividend Amount

5. If the Substitute Preference Shares are not to be redeemed, the Calculation Agent will, as soon as practicable after 11.00 a.m. (London time) on each Dividend Determination Date, determine the Floating Dividend Rate in respect of the Dividend Period commencing immediately following that Dividend Determination Date and calculate the amount of dividend payable per Calculation Amount on the Dividend Payment Date for that Dividend Period (the “**Floating Dividend Amount**”). Absent manifest error, the Calculation Agent’s determination of the Floating Dividend Rate for any Dividend Period will be final and binding.

Publication of Floating Dividend Rate and Floating Dividend Amount

6. The Company shall cause notice of the Floating Dividend Rate in respect of each relevant Dividend Period, the Floating Dividend Amount in respect of each relevant Dividend Period and the relevant date scheduled for payment to be given to the holders as soon as practicable after its determination but in any event not

later than the fourth Hong Kong Business Day thereafter. The Floating Dividend Amount, the Floating Dividend Rate and the date scheduled for payment so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the relevant period in accordance with these Articles or in the event of manifest error.

Limitation on payment of dividends

7. (i) If, as at any Dividend Record Date, the Company does not have Distributable Profits equal to or greater than the aggregate of (i) the dividend scheduled for such Dividend Payment Date and (ii) all other payments to be made in respect of any obligation ranking or expressed to rank *pari passu* with the Guarantee (in each case translated into U.S. dollars at the then current exchange rate) (the "**Pari Passu Payments**"), such Dividend Payment Date shall be referred to as a "**Mandatory Limitation Date**". The Company must, unless otherwise allowed by the HKMA, reduce the amount of dividend payable on a Mandatory Limitation Date to an amount that may be paid on a *pro rata* basis with all other *Pari Passu* Payments without exceeding the relevant amount of Distributable Profits, subject to the minimum amount of dividend payable on any Dividend Payment Date being zero. Any failure by the Company to pay an amount exceeding the *pro rata* amount of the Company's Distributable Profits attributable to the Substitute Preference Shares on a Mandatory Deferral Date shall not constitute a default by the Company for any purpose.
- (ii) To the extent that clause (i) above does not apply, if, during the 12 months preceding a date on which a dividend is due to be paid in respect of the Substitute Preference Shares no dividend has been declared or paid on any class of share capital of the Company, such due date shall be referred to as an "**Optional Dividend Payment Date**". The Company may if it so elects, but shall not be obliged to, pay on any Optional Dividend Payment Date the dividend that is due to be paid on such date in respect of the Substitute Preference Shares and any failure to pay shall not constitute a default by the Company for any purpose.
- (iii) The Company shall give notice to the holders of Substitute Preference Shares:
- (a) not more than 15 Hong Kong Business Days prior to any Mandatory Limitation Date that such Dividend Payment Date is a Mandatory Limitation Date and the dividend amount, if any, to be paid on such Mandatory Limitation Date in respect of each US\$1,000 liquidation preference of Substitute Preference Shares; and
 - (b) not more than 30 days nor less than seven days prior to any Optional Dividend Payment Date in respect of which it will elect not to make any dividend payment in accordance with the above provisions, of such election.

Solvency Condition on Payments

8. All payments in respect of the Substitute Preference Shares are, in the case of payment of dividends in addition to the provision as to the limitations on payment of dividends above, conditional upon the Company being solvent at the time of payment and no dividend or any other amount shall be due and payable in respect of or arising from the Substitute Preference Shares except to the extent that the Company could make such payment and still be solvent immediately thereafter.

In these Articles, the Company shall be considered to be solvent if (i) it is able to pay its debts as they fall due and (ii) Assets exceed Liabilities. Any Substitute Preference Shareholder holding in aggregate not less than one-tenth of the outstanding aggregate liquidation preference of the Substitute Preference Shares may request from the Company a certificate as to the solvency of the Company by two Directors (or if there is a Winding-Up of the Company, the liquidator of the Company) ("**Solvency Certificate**"). The Solvency Certificate shall, in the absence of manifest error, be treated and accepted by the Company, the Substitute Preference Shareholders and all other interested parties as correct and sufficient evidence thereof.

Capital

9. The rights and claims of the Substitute Preference Shareholders are subordinated to the claims of Senior Creditors in that if at any time an order is made, or an effective resolution is passed, for the Winding-Up of the Company (except, in any such case, a solvent Winding-Up solely for the purposes of a reorganisation, reconstruction or amalgamation or the substitution in place of the Company of a successor in business of the Company, the terms of which reorganisation, reconstruction, amalgamation or substitution (x) have previously been approved by the Substitute Preference Shareholders in general meeting and (y) do not provide that the Substitute Preference Shares shall thereby become redeemable or repayable in accordance with these Articles), the obligation of the Company to make, and the entitlement of each Substitute Preference Shareholder to receive and retain, any payment of an amount equal to the liquidation preference of, dividends on, or any other amount with respect to, the Substitute Preference Shares held by it is subject to the satisfaction in full of the claims of Senior Creditors, and the rights of each such Substitute Preference Shareholder against the Company shall be limited to, and the maximum amount that each Substitute Preference Shareholder may recover is such amount, if any, as represents a preferential right to a return of assets in the Winding-Up over, and so ranks ahead of, the holders of all other classes of issued shares for the time being in the capital of the Company but ranks junior to the claims of Senior Creditors and junior to any notional class of preference shares in the capital of the Company by reference to which the amount payable in respect of any Category II Supplementary Capital of the Company in a Winding-Up of the Company is determined, on the assumption that the amount that such Substitute Preference Shareholder is entitled to receive in respect of each Substitute Preference Share on a return of assets in such Winding-Up is an amount equal to the liquidation preference of the relevant Substitute Preference Share together with accrued but unpaid dividends for the then current Dividend Period to the date of payment (which may include the Initial Dividend) together with, to the extent not otherwise included within the foregoing, any other amounts attributable to the Substitute Preference Share, including any damages awarded for breach of any obligations.

Redemption

Redemption at the option of the Company

10. Subject to the Companies Ordinance, prior written approval of the HKMA, all other applicable law and regulation and the provisions of these Articles, the Substitute Preference Shares may be redeemed at the option of the Company in whole, but not in part, on the Dividend Payment Date falling on 5th November, 2019 or thereafter on every Dividend Payment Date (the "**Optional Redemption Date**") at a redemption price equal to 100% of their liquidation preference together with accrued and unpaid dividends (which may include the Initial Dividend) for the then current Dividend Period to the date fixed for redemption on the Company giving not less than 30 nor more than 60 days' notice to the holders (which notice shall be irrevocable and shall oblige the Company to redeem the Substitute Preference Shares on the Optional Redemption Date at such amount).

Redemption for tax reasons

11. Subject to the Companies Ordinance, all other applicable law and regulation and the provisions of these Articles, the Substitute Preference Shares may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the holders (which notice shall be irrevocable) at a redemption price equal to 100% of their liquidation preference together with accrued and unpaid dividends (which may include the Initial Dividend) for the then current Dividend Period to the date fixed for redemption, if (1) the Company has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 29th October, 2009; and (2) such obligation cannot be avoided by the Company taking reasonable measures available to it; provided, however, that (i) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Amounts; and (ii) prior to such notice of redemption, the written approval of the HKMA for such redemption shall have been obtained.

Regulatory Redemption

12. Subject to the Companies Ordinance, prior written approval of the HKMA, all other applicable law and regulations and the provisions of these Articles, the Substitute Preference Shares may be redeemed at the option of the Company in whole, but not in part, at any time at a redemption price equal to the Regulatory Event Redemption Price together with accrued but unpaid dividends (which may include the Initial Dividend) for the then current Dividend Period to the date fixed for redemption on the Company giving not less than 30 nor more than 60 days' notice to holders (which notice shall be irrevocable and shall oblige the Company to redeem the Substitute Preference Shares on the date fixed for redemption at such amount), following the occurrence of a Regulatory Redemption Event.

For the purposes of this clause a "**Regulatory Redemption Event**" occurs if the Substitute Preference Shares no longer qualify as solo Category I Core Capital of the Company (other than solely by virtue of the Company already having on issue securities with an aggregate principle amount or liquidation preference up to or in excess of the limit of innovative Category I Core Capital permitted from time to time by the HKMA).

Purchase

13. Subject to the Companies Ordinance, all other applicable law and regulation and the provisions of these Articles, the Company or any of its Subsidiaries (including Innovate) may at any time purchase Substitute Preference Shares in the open market or otherwise and at any price.

Conditions of Redemption

14. Notwithstanding any other provision in these Articles, the Substitute Preference Shares (subject as provided below) may not be redeemed or purchased and cancelled without the prior written consent of the HKMA. Accordingly (i) the Company shall not redeem any of such Substitute Preference Shares and (ii) neither the Company nor its Subsidiaries shall purchase the Substitute Preference Shares, unless the prior written consent of the HKMA thereto shall have been obtained provided, however, that if from time to

time such consent of the HKMA is not a requirement of any such Substitute Preference Shares to constitute Category I Core Capital of the Company, then the condition to the redemption or purchase and cancellation of the relevant Substitute Preference Shares set out herein shall not apply for so long as such consent is not so required.

Payments

Method of Payment

15. Payment of any amount payable by way of dividend or on redemption of a Substitute Preference Share will be made by transfer to the registered account of the holder or by U.S. dollar cheque mailed to the registered address of the holder if it does not have a registered account.

Payments of dividends due on a Dividend Payment Date will be paid on the due date for the payment of the relevant dividend to the holder shown on the Register at the close of business on the fifteen day before the due date for the payment of the dividend (the "**Dividend Record Date**").

Registered Accounts

16. For the purposes of these Articles, a holder's registered account means the U.S. dollar account, details of which appear on the Register at the close of business on the Business Day before the relevant Dividend Record Date, and a holder's registered address means its address appearing on the Register at that time.

Fiscal Laws

17. All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of these Articles. No commissions or expenses shall be charged to the holders in respect of such payments.

Payment Initiation

18. Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Business Day, for value on the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a Business Day, the immediately following Business Day).

Delay In Payment

19. Holders of Substitute Preference Shares will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day or if a cheque mailed in accordance with these Articles arrives after the due date for payment. If an amount which is due on the Substitute Preference Shares is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

Taxation

20. All payments in respect of the Substitute Preference Shares by or on behalf of the Company shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Hong Kong or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Company shall pay such additional amounts ("**Additional Amounts**") as will result in the receipt by the holders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such Additional Amounts shall be payable in respect of any Substitute Preference Share presented for payment:
- (i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Substitute Preference Share by reason of its having some connection with Hong Kong other than the mere holding of such Substitute Preference Share; or
 - (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

Any reference in these Articles to liquidation preference or dividends shall be deemed to include any Additional Amounts in respect of liquidation preference or dividends (as the case may be) which may be payable under these Articles or any undertaking given in addition to or in substitution of this provision.

If the Company becomes subject at any time to any taxing jurisdiction other than Hong Kong, references in these Articles to Hong Kong shall be construed as references to Hong Kong and/or such other jurisdiction.

Voting

21. The holders of the Substitute Preference Shares shall not be entitled to convene, attend or vote at any general meeting of the Company except:
- (i) where a dividend that is payable on such Substitute Preference Shares shall have become due or payable and shall not have been paid in full;
 - (ii) where a resolution is to be proposed at the meeting varying or abrogating any of the rights, preferences, privileges, limitations or restrictions attached to any class of shares of which the Substitute Preference Shares form a part (and then only to attend, speak and vote on any such resolution); or
 - (iii) where a resolution is proposed to consider a Winding-Up Proceeding in relation to the Company.

Whenever holders of Substitute Preference Shares are entitled to vote on a resolution, on a show of hands every such holder present in person shall have one vote and every proxy holder present that has been duly appointed by a holder shall have one vote and on a poll every such holder that is present in person or by proxy shall have one vote in respect of each Substitute Preference Share held by him.

Subject to the above conditions, all other provisions of these Articles relating to voting rights and procedures also apply to the Substitute Preference Shares.

Amendment

22. The foregoing provisions of these Articles may not be amended without the prior written approval of the HKMA. Subject to this requirement, the other provisions of these Articles relating to amendment of these Articles also apply to the foregoing provisions.

Definitions

23. The following terms have the following meanings when used in this Schedule, which shall, in the event of inconsistencies and for the purposes of this Schedule only, prevail over any definitions made in other parts of these Articles:

“Arrears of Interest” means any interest not paid on an Optional Interest Payment Date or a Mandatory Deferral Date (except to the extent such interest shall subsequently have been paid);

“Articles” means the Articles of Association of the Company as amended from time to time;

“Assets” means the unconsolidated gross assets of the Company, as shown in the latest published audited balance sheet of the Company, but adjusted for subsequent events in such manner as the Directors, or if the Company is in a Winding-Up, its liquidator may determine;

“Assignee” means Innovate or its permitted successors or assigns in accordance with the Assignment Deed;

“Assignment” means the assignment right in respect of all and any outstanding Notes granted by the Initial Purchaser to the Assignee under the terms of the Assignment Deed to be automatically exercised on an Assignment Date;

“Assignment Date” means, in respect of an Assignment Event that is a date, that date and, in respect of an Assignment Event that is the occurrence of an event, the date on which that event first occurs;

“Assignment Deed” means the deed entered into between, among others, Innovate, the Company and the initial holders of the Notes dated the Notes Issue Date, pursuant to which the Notes shall, on the happening of certain specified events, be assigned to Innovate;

“Assignment Event” means the occurrence of any of the following:

- (i) the deferral of payment of any interest on any Note in accordance with Condition 7(g) of the Conditions;
- (ii) a Substitution Event;
- (iii) an Enforcement Event;
- (iv) following the giving of a valid redemption notice in respect of the Substitute Preference Shares, the date scheduled for redemption in such notice;
- (v) the Business Day (as defined for the purposes of Condition 3 of the Conditions) prior to the Maturity Date;

(vi) an Optional Assignment Date; or

(vii) an HKMA Assignment Date;

The Assignment Events set out in paragraphs (i), (iv), (v) and (vi) shall be referred to as “**Scheduled Assignment Events**” and those set out in paragraphs (ii), (iii) and (vii) shall be referred to as “**Non-Scheduled Assignment Events**”;

“**Assignment Notice**” means a notice of an Assignment pursuant to the Conditions;

“**Board of Directors**” means the board of directors of the Company as constituted from time to time;

“**Business Day**” means:

- (i) for the purposes of the “Dividends” clause, a day other than a Saturday or Sunday on which commercial banks are open for business in New York and London;
- (ii) for the purposes of the “Payments” clause, a day other than a Saturday or Sunday on which commercial banks are open for business in New York and Hong Kong;
- (iii) for the purposes of the definition of “Dividend Determination Date”, a day other than a Saturday or Sunday on which commercial banks are open for business in London; and
- (iv) in all other cases, a day other than a Saturday or Sunday on which commercial banks are open for business in London and Hong Kong;

“**Calculation Agent**” means Deutsche Bank AG, Hong Kong Branch or any successor calculation agent from time to time;

“**Capital Adequacy Ratio**” has the meaning given to it from time to time by the HKMA Supervisory Policy Manual CA-S-6 as amended, supplemented or replaced from time to time;

“**Category I Core Capital**” has the meaning given to it from time to time in the HKMA Supervisory Policy Manual CA-S-6 as amended, supplemented or replaced from time to time;

“**Category II Supplementary Capital**” has the meaning given to it from time to time in the HKMA Supervisory Policy Manual CA-S-8, as amended, supplemented or replaced from time to time;

“**Companies Ordinance**” means the Companies Ordinance (Cap. 32) of Hong Kong, as amended from time to time;

“**Company**” means The Bank of East Asia, Limited or its successor in business from time to time;

“Comparable Treasury Issue” means the U.S. Treasury selected by the Calculation Agent as having a maturity comparable to the remaining term of the Substitute Preference Shares from the relevant date fixed for redemption to 5th November, 2019, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to 5th November, 2019;

“Comparable Treasury Price” means, with respect to any redemption date, the average of three Reference Treasury Dealer Quotations (or such lesser number as is obtained by the Calculation Agent) for the relevant date fixed for redemption of the Substitute Preference Shares;

“Conditions” means the terms and conditions of the Notes;

“Consolidated Subsidiary” means any Subsidiary of the Company or any other entity, in each case the financial statements of which are required by HKFRS to be consolidated with the financial statements of the Company;

“Directors” means the directors of the Company;

“Distributable Profits” means:

- (i) the aggregate of the consolidated net profits after tax of the Company and its Consolidated Subsidiaries (determined before any payments of interest, dividends or other distributions by the Company or any of its Consolidated Subsidiaries on any Category I Core Capital or Category II Supplementary Capital or other securities ranking *pari passu* with such capital but after the deduction of amounts (if any) required by the HKMA to be transferred to the reserves of the Company on a consolidated basis) for the immediately preceding two six-month financial periods for which results have been announced publicly; less
- (ii) the aggregate amount of interest, dividends, distributions or other amounts paid, determined to be paid or liable to be paid by the Company or any of its Consolidated Subsidiaries in the twelve-month period ending on and including the applicable Interest Payment Date on:
 - (a) any class of share capital of the Company;
 - (b) the Notes, the Substitute Preference Shares or the Innovate Preference Shares; and
 - (c) any other Category I Core Capital or Category II Supplementary Capital of the Company or any of its Consolidated Subsidiaries or securities ranking *pari passu* with such capital,

but excluding dividends payable on the Substitute Preference Shares on the relevant Dividend Payment Date;

“Dividend Determination Date” means, in relation to each Dividend Period from and including the Dividend Period beginning on 5th November, 2019, the day falling two Business Days prior to the first day of the relevant Dividend Period;

“Enforcement Event” means any default made in the payment of any amount of principal in respect of the Notes on the due date for payment thereof or of any amount of interest in respect of the Notes within seven days after the date upon which the payment of interest is compulsory (pursuant to Condition 7(g) of the Conditions);

“**Group**” means the Company and its Subsidiaries;

“**Guarantee**” means the subordinated guarantee of certain payments under the Innovate Preference Shares made by the Company under a Deed of Guarantee dated the Notes Issue Date;

“**HKFRS**” means Hong Kong Financial Reporting Standards, from time to time;

“**HKMA**” means the Hong Kong Monetary Authority or such other governmental authority in Hong Kong (or if the Company becomes domiciled in a jurisdiction other than Hong Kong, in such jurisdiction) having primary supervisory authority with respect to the Company;

“**HKMA Assignment Date**” means any date designated by the HKMA in its absolute discretion as the Assignment Date;

“**Hong Kong Business Day**” means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong;

“**Initial Dividend**” means an amount equal to the Arrears of Interest which have accumulated up to and including the Assignment Date;

“**Initial Purchaser**” means UBS Limited;

“**Innovate**” means Innovate Holdings Limited;

“**Innovate Preference Shares**” means the perpetual non-cumulative step-up preference shares of Innovate of no par value in an aggregate liquidation preference of US\$500,000,000 issued on the Notes Issue Date;

“**Interest Payment Date**” means, in relation to the Notes:

- (i) up to 5th November, 2019, 5th May and 5th November in each year; and
- (ii) thereafter, 5th February, 5th May, 5th August and 5th November in each year;

“**Issue Date**” means the date of issue of the Substitute Preference Shares;

“**Liabilities**” means the unconsolidated gross liabilities of the Company, as shown in the latest published audited balance sheet of the Company, but adjusted for contingent liabilities and for subsequent events in such manner as the Directors or, if the Company is in a Winding-Up, its liquidator may determine;

“**LIBOR**” shall mean:

- (i) the rate for three-month U.S. dollar deposits which appears on the display designated as page “LIBOR01” on the Reuter Monitor Money Rates Service (or such other page or service as may replace it, or such other service as may be nominated as the information vendor, for the purpose of displaying comparable rates) as at 11.00 a.m. (London time) on the Dividend Determination Date;
- (ii) if such rate does not appear on that page, or if the relevant page is unavailable, the Calculation Agent will:

- (a) request the principal London office of each of four major banks in the U.S. dollar interbank market in London as selected by the Calculation Agent to provide the Calculation Agent with its offered quotation to leading banks in the London interbank market for three-month U.S. dollar deposits as at 11.00 a.m. (London time) on the Dividend Determination Date in question; and
- (b) determine the arithmetic mean (rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, 0.000005% being rounded upwards) of such offered quotations; and
- (iii) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean (rounded, if necessary, as aforesaid) of the U.S. dollar lending rates which leading banks in London selected by the Calculation Agent are quoting, on the relevant Dividend Determination Date, to leading banks in Europe for a period of three months as at 11.00 a.m. (London time),

provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Dividend Period, the rate of LIBOR applicable to the Substitute Preference Shares during such Dividend Period shall either be (i) the rate or (as the case may be) arithmetic mean last determined in relation to the Substitute Preference Shares in respect of a preceding Dividend Period;

“Makewhole Amount” means in respect of each Substitute Preference Share, (a) the liquidation preference of such Substitute Preference Share or, if this is higher (b) the amount equal to the sum of the present value of the liquidation preference of such Substitute Preference Share, together with the present values of the scheduled dividend payments (assuming for this purpose the relevant dividend payments become due pursuant to these Articles) from the relevant date fixed for redemption to, but excluding, 5th November, 2019, in each case, discounted to such redemption date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus 0.50 per cent., all as determined by the Calculation Agent;

“Mandatory Deferral Date” means any Interest Payment Date, whereas at the relevant Interest Record Date, the Company does not have Distributable Profits equal to or greater than the interest payment scheduled for that Interest Payment Date and all other payments to be made on such date in respect of any obligation ranking or expressed to rank *pari passu* with the Notes;

“Maturity Date” means 5th November, 2059;

“Notes” means the Step-Up Subordinated Notes due 2059 in an aggregate principal amount of US\$500,000,000 issued by the Company on the Notes Issue Date;

“Notes Issue Date” means 5th November, 2009;

“Optional Assignment Date” means any date designated by the Assignee in its absolute discretion as the Assignment Date;

“Optional Interest Payment Date” means any Interest Payment Date where during the 12 calendar months preceding such Interest Payment Date no dividend has been declared or paid on any class of share capital of the Company;

“**Ordinary Shares**” means the ordinary shares in the capital of the Company having a par value of HK\$2.50 and having a right to participate in a Winding-Up of the Company in the surplus assets on a *pro rata* basis;

“**Parity Securities**” means the most senior ranking class or classes of preference shares in the capital of the Company from time to time and any other securities of the Company or any other member of the Group ranking or expressed to rank *pari passu* with the Notes, the Substitute Preference Shares and/or such preference shares either issued directly by the Company or, where issued by a member of the Group, where the terms of the securities benefit from a guarantee or support agreement entered into by the Company which ranks or is expressed to rank *pari passu* with the Notes, the Substitute Preference Shares and/or such preference shares;

“**Reference Treasury Dealer**” means each of the three nationally recognised investment banking firms selected by the Calculation Agent that are primary U.S. Government securities dealers;

“**Reference Treasury Dealer Quotations**” means with respect to each Reference Treasury Dealer and any date fixed for redemption of the Substitute Preference Shares, the average, as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Calculation Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third Business Day immediately preceding such due date for redemption;

“**Register**” means the register of holders of Substitute Preference Shares that the Company shall procure is kept by the Registrar outside Hong Kong and the United Kingdom;

“**Registrar**” means the share registrar appointed by the Company from time to time;

“**Regulatory Event Redemption Price**” means in respect of each Substitute Preference Share:

- (i) in respect of a redemption following the occurrence of a Regulatory Event scheduled to take place on a date that falls prior to 5th November, 2019, an amount equal to the Makewhole Amount; and
- (ii) in respect of a redemption following the occurrence of a Regulatory Event scheduled to take place on a date that falls on or after 5th November, 2019, an amount equal to 100% of the liquidation preference of the relevant Substitute Preference Shares;

“**Senior Creditors**” means (a) creditors of the Company that are unsubordinated creditors of the Company; (b) creditors of the Company whose claims are or are expressed to be subordinated to the claims of other creditors of the Company (other than those whose claims are in respect of the Company's outstanding securities or obligations that constitute, or would but for any applicable limitation on the amount of such capital, constitute, Category I Core Capital or whose claims rank or are expressed to rank *pari passu* with, or junior to, the claims of Noteholders); and (c) creditors of the Company whose claims are in respect of the Company's outstanding securities or obligations that constitute Category II Supplementary Capital (and such other securities and obligations outstanding from time to time that rank, or are expressed to rank, *pari passu* with, or senior to, any such Category II Supplementary Capital) but excluding other Parity Securities;

“**Subsidiary**” means each subsidiary, as defined in section 2 of the Companies Ordinance, for the time being of the Company;

“**Substitute Preference Shares**” means the perpetual non-cumulative step-up preference shares of the Company having a par value of US\$1,000 each and an aggregate liquidation preference of US\$500,000,000 issued on the Issue Date;

“Substitution Event” means:

- (i) the HKMA determines in writing that the Company has a Capital Adequacy Ratio of less than 8% or such other percentage as the HKMA shall stipulate from time to time as being the minimum required Capital Adequacy Ratio for licensed banks, provided that a Substitution Event will not be deemed to have occurred until the end of any grace period allowed by the HKMA for the Company to bring its Capital Adequacy Ratio above 8% or such other stipulated percentage;
- (ii) a Winding-Up Proceeding is instituted against the Company and is not dismissed within 30 Hong Kong Business Days from the initial date of institution; or
- (iii) the HKMA exercises its power to appoint a manager of the Company under Section 52 of the Banking Ordinance (Cap. 155) of Hong Kong;

“U.S. dollars” and **“US\$”** refer to the lawful currency for the time being of the United States of America;

“U.S. Treasury Rate” means either (i) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third Business Day prior to the relevant redemption date, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities” – “Nominal” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after 5th November, 2019, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the third Business Day prior to the relevant date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the relevant date fixed for redemption, in each case calculated on the third Business Day immediately preceding the relevant date fixed for redemption;

“Winding-Up” shall mean a final and effective order or resolution for the bankruptcy, winding-up, liquidation, receivership or similar proceeding in respect of the Company; and

“Winding-Up Proceeding” means with respect to the Company, proceedings in Hong Kong for the bankruptcy, liquidation, winding-up, receivership, or other similar proceeding of the Company.

Governing Law

The creation and issue of the Substitute Preference Shares and the rights attached to them are governed by, and shall be construed in accordance with, Hong Kong law.

This appendix sets out a summary of the principal terms of the Substitute Preference Shares as follows (capitalised terms used in this appendix refer to their definitions contained in Appendix I to this circular):

Issuer	The Bank of East Asia, Limited.
Substitute Preference Shares	Perpetual non-cumulative step-up preference shares in an aggregate liquidation preference of US\$500,000,000.
Issue Price	US\$1,000 per Substitute Preference Share. Substitute Preference Shares will be issued (if required) in exchange for Innovate Preference Shares with a liquidation preference in an equal amount.
Issue Date	Upon the occurrence of a Substitution Event.
Status	The Substitute Preference Shares rank <i>pari passu</i> without any preference among themselves and in priority to the Ordinary Shares.
Solvency Condition on Payments	All payments in respect of the Substitute Preference Shares are conditional upon the Bank being solvent at the time of payment.
Subordination	The rights and claims of the Substitute Preference Shareholders are subordinated to the claims of Senior Creditors.
Winding-Up	On a Winding-Up of the Bank, Substitute Preference Shareholders shall have a claim for a sum equal to the aggregate of: <ul style="list-style-type: none"> (i) the liquidation preference of the Substitute Preference Shares; (ii) an amount equal to dividends accrued thereon for the then current Dividend Period (which may include the Initial Dividend); and (iii) any other amounts attributable to the Substitute Preference Shares.
Redemption at the Option of the Bank	Subject to the Companies Ordinance, prior written approval of the HKMA, all other applicable law and regulations and the provisions of the Articles, the Substitute Preference Shares may be redeemed at the option of the Bank in whole, but not in part, on the Dividend Payment Date falling on 5th November, 2019 or thereafter on every Dividend Payment Date at a redemption price equal to 100% of their liquidation preference together with accrued and unpaid dividends (which may include the Initial Dividend) for the then current Dividend Period.

Redemption for Tax Reasons ... Subject to the Companies Ordinance, prior written approval of the HKMA, all other applicable law and regulations and the provisions of the Articles, the Substitute Preference Shares may be redeemed at the option of the Bank in whole, but not in part, at any time at a redemption price equal to 100% of their liquidation preference together with accrued and unpaid dividends (which may include the Initial Dividend) for the then current Dividend Period, if the Bank has or will become obliged to pay Additional Amounts as a result of any change in, or amendment to, the laws or regulations of Hong Kong.

Regulatory Redemption Subject to the Companies Ordinance, prior written approval of the HKMA, all other applicable law and regulations and the provisions of the Articles, the Substitute Preference Shares may be redeemed at the option of the Bank in whole, but not in part, at any time at a redemption price equal to the Regulatory Event Redemption Price together with accrued but unpaid dividends (which may include the Initial Dividend) for the then current Dividend Period, following the occurrence of a Regulatory Redemption Event.

A “**Regulatory Redemption Event**” occurs if the Substitute Preference Shares no longer qualify as solo Category I Core Capital of the Bank.

Dividends Subject to the limitations, discretions and qualifications set out in the Articles, each Substitute Preference Share shall entitle the holder thereof to receive out of the profits of the Bank available for distribution and permitted by law to be distributed, in priority to the payment of any dividend to holders of Ordinary Shares but *pari passu* among themselves, a non-cumulative preferential dividend from, and including, the Interest Payment Date immediately prior to the Assignment Date to, but excluding, 5th November, 2019 at the Dividend Rate payable semi-annually in arrear on 5th May and 5th November in each year and thereafter at the Dividend Rate payable quarterly in arrear on 5th February, 5th May, 5th August and 5th November in each year.

Subject to the limitations, discretions and qualifications set out in the Articles, each Substitute Preference Share shall entitle the holder thereof to receive out of the profits of the Bank available for distribution and permitted by law to be distributed, in priority to the payment of any dividend to holders of Ordinary Shares but *pari passu* among themselves, an Initial Dividend. The Initial Dividend will be payable on the first Dividend Payment Date occurring on or immediately after the Issue Date. If, as a result of the limitations, discretions and qualifications set out in the Articles, the Initial Dividend is not paid on the first Dividend Payment Date occurring immediately after the Issue Date such Initial Dividend will be cancelled and no holder shall have any claim in respect thereof, whether on a Winding-Up or otherwise.

Dividend Rate The Dividend Rate applicable to the Substitute Preference Shares shall be:

- (i) at a fixed rate for the period from, and including, the Issue Date to, but excluding, 5th November, 2019 of 8.50% per annum; and
- (ii) at a floating rate for the period from, and including, 5th November, 2019 of three month LIBOR plus 7.3605% per annum.

**Mandatory Deferral
of Dividends**

Where, as at any Dividend Record Date, the Bank does not have Distributable Profits equal to or greater than the dividend scheduled for such Dividend Payment Date and all other payments to be made in respect of any obligation ranking or expressed to rank *pari passu* with the Substitute Preference Shares (in each case translated into U.S. dollars at the then current exchange rate) (the "***Pari Passu Payments***"), such Dividend Payment Date shall be referred to as a Mandatory Limitation Date. The Bank must, unless otherwise allowed by the HKMA, reduce the amount of dividend payable on a Mandatory Limitation Date to an amount that may be paid on a *pro rata* basis with all other *Pari Passu Payments* without exceeding the relevant amount of Distributable Profits, subject to the minimum amount of dividend payable on any Dividend Payment Date being zero. Any failure by the Bank to pay an amount exceeding the *pro rata* amount of the Bank's Distributable Profits attributable to the Substitute Preference Shares on a Mandatory Limitation Date shall not constitute a default by the Bank for any purpose.

**Optional Deferral
of Dividends**

Where during the 12 calendar months preceding a date on which a dividend is due to be paid in respect of the Substitute Preference Shares no dividend has been declared or paid on any class of share capital of the Bank, such due date shall be referred to as an "**Optional Dividend Payment Date**". The Bank may if it so elects, but shall not be obliged to, pay on any Optional Dividend Payment Date the dividend that is due to be paid on such date in respect of the Substitute Preference Shares and any failure to pay shall not constitute a default by the Bank for any purpose.

Voting The holders of the Substitute Preference Shares shall not be entitled to convene, attend or vote at any general meeting of the Bank except in limited circumstances.

Withholding Taxes All payments in respect of the Substitute Preference Shares by or on behalf of the Bank shall be made free and clear of Hong Kong withholding taxes, unless such withholding or deduction is required by law. In that event, the Bank shall, subject to customary exceptions, pay such additional amounts as will result in the receipt by the holders of such amounts as would have been received by them if no such withholding or deduction had been required.

Listing In the case that Substitute Preference Shares are issued, the Bank will undertake to use all reasonable endeavours to obtain and maintain a listing of the Substitute Preference Shares on either the SGX-ST or The Stock Exchange of Hong Kong Limited and to obtain acceptance for clearance of the Substitute Preference Shares in Euroclear and Clearstream.

Governing Law The Substitute Preference Shares will be governed by, and shall be construed in accordance with, Hong Kong law.

Form of the Substitute

Preference Shares The Substitute Preference Shares will be issued in registered form and will initially be represented by a global substitute preference share certificate, which will be registered on or about the Issue Date in the name of a nominee of a common depository on behalf of Euroclear and Clearstream, Luxembourg. The purchase, sale and transfer of the Substitute Preference Shares may only be effected through accounts at Euroclear and Clearstream. The global substitute preference share certificate will be exchangeable for definitive registered certificates in the denomination of US\$1,000 and integral multiples in excess thereof, only in the limited circumstances set out therein.

As the creation and issue of the Substitute Preference Shares have yet to be approved, they have not been accepted for clearance through Euroclear and Clearstream and, consequently, have not been allocated a common code or ISIN.

This appendix sets out the particulars of Dr. Isidro Fainé Casas proposed to be re-elected at the EGM as follows:

Dr. Isidro FAINÉ CASAS

Non-executive Director and Member of the Nomination Committee

Dr. Fainé, aged 67, was appointed a Director in June 2009. Dr. Fainé is the Chairman of the following companies:

- (i) Criteria CaixaCorp, S.A., the holding company of the largest industrial and financial investment group in Spain (listed on the Spanish Stock Exchange since 2007)
- (ii) Caja de Ahorros y Pensiones de Barcelona “la Caixa”, the first Spanish and European savings bank and controlling shareholder of Criteria CaixaCorp, S.A.
- (iii) “la Caixa” Foundation

Dr. Fainé currently holds chairmanships and directorships in other listed companies as follows:

- (i) Deputy Chairman of Abertis Infraestructuras, S.A. (infrastructure manager, listed in Spain)
- (ii) Deputy Chairman of Telefónica, S.A. (integrated operator in the telecommunication sector, listed in Spain)
- (iii) Second Deputy Chairman of Repsol YPF, S.A. (oil company, listed in Spain)
- (iv) Director of Banco BPI, S.A. (financial and multi-specialist group focusing on the banking business, listed in Portugal)
- (v) Director of Grupo Financiero Inbursa, S.A.B. de C.V. (financial and banking group, listed in Mexico)

Dr. Fainé was a Director of Brisa Auto-Estradas de Portugal, S.A. from 2003 to 2008 (listed in Portugal).

Save as disclosed, Dr. Fainé has not held any directorship in other listed public companies during the last three years.

Dr. Fainé is a member of the Royal Academy of Economics and Finance and of the Royal Academy of Doctors, First Deputy Chairman of the Association of Spanish Savings Banks (CECA) and Chairman of the Association of Catalan Savings Banks.

Dr. Fainé began his professional banking career as Investment Manager for Banco Atlántico in 1964, later becoming General Manager of Banco de Asunción in Paraguay in 1969. On his return to Barcelona, he held various managerial posts in financial entities: Head of Personnel at Banca Riva y Garcia (1973), Director and General Manager of Banca Jover (1974) and General Manager of Banco Unión (1978).

Dr. Fainé joined Caja de Ahorros y Pensiones de Barcelona and was appointed Deputy Executive General Manager in 1982. He was appointed General Manager in 1999 and was further appointed Chairman of Caja de Ahorros y Pensiones de Barcelona in 2007.

Among other academic and professional qualifications, Dr. Fainé holds a PhD in Economic and Business Sciences, an International Senior Managers Program (ISMP) in Business Administration from Harvard University, and a Diploma in Senior Business Management from the IESE Business School.

Save as disclosed, Dr. Fainé does not hold any position with the Bank or with other members of the Group. Dr. Fainé has not entered into any service contract with the Bank.

In accordance with the Articles of Association, Dr. Fainé shall retire as a Director at the EGM of the Bank to be held on Friday, 4th December, 2009 and, being eligible, shall be re-elected for a term of not more than approximately three years expiring at the conclusion of the annual general meeting of the Bank held in the third year following the year of his appointment and on expiration of his term he shall be deemed a retiring Director and eligible for re-appointment. The fees payable to the Directors are determined by the Board with reference to market trends. Dr. Fainé receives a director's fee of HK\$200,000 per annum and a Nomination Committee member's fee of HK\$30,000 per annum.

Dr. Fainé is not or was not connected with any Directors and the Senior Management of the Bank.

As at the Latest Practicable Date, Dr. Fainé does not have any interests in the shares of the Bank within the meaning of Part XV of the Securities and Futures Ordinance.

There is no information relating to Dr. Fainé that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

As at the Latest Practicable Date, the Bank does not have a substantial or controlling shareholder (as defined in the Listing Rules).

Save as disclosed herein, there are no other matters relating to Dr. Fainé's re-election that need to be brought to the attention of the Shareholders.