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If you have sold or transferred all your shares in The Bank of East Asia, Limited, you should at once hand this circular to the purchaser or transferee or to the bank, a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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 ANNUAL GENERAL MEETING,
RE-ELECTION OF DIRECTORS,
AMENDMENTS TO ARTICLES OF ASSOCIATION,
PROPOSALS INVOLVING TERMINATION OF THE OPERATION OF
THE STAFF SHARE OPTION SCHEME 2007 AND
ADOPTION OF THE STAFF SHARE OPTION SCHEME 2011
AND
GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES**

The notice of Annual General Meeting of The Bank of East Asia, Limited to be held in the Grand Ballroom, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 19th April, 2011 at 11:30 a.m. ("**2011 AGM**") is set out on pages 4 to 10 of this circular.

Whether or not you are able to attend the 2011 AGM, 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, at 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 2011 AGM. Completion and delivery of the Proxy Form will not preclude you from attending and voting at the 2011 AGM should you so wish.

18th March, 2011

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

"2011 AGM"	an annual general meeting of the Bank to be held in the Grand Ballroom, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 19th April, 2011 at 11:30 a.m. or any adjournment thereof;
"Adoption Date"	the date on which the Staff Share Option Scheme 2011 is conditionally adopted by resolution of the Shareholders of the Bank at the 2011 AGM;
"Allotment Date"	the date on which Shares are allotted and issued to a Grantee pursuant to the exercise of the rights attaching to an Option granted and exercised under the Staff Share Option Scheme 2011;
"Articles of Association"	the articles of association adopted by the Bank from time to time;
"Associate(s)"	shall have the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the Audit Committee of the Bank;
"Auditors"	the auditors of the Bank for the time being;
"Bank"	The Bank of East Asia, Limited, a company incorporated in Hong Kong with limited liability;
"Bank Group" or "Group"	the Bank and its subsidiaries;
"Board"	the board of Directors or a duly authorised committee thereof;
"Business Day"	shall have the meaning ascribed to it under the Listing Rules;
"Chief Executive"	shall have the meaning ascribed to it under the Listing Rules;
"Connected Person(s)"	shall have the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder"	shall have the meaning ascribed thereto in the Listing Rules;
"Date of Grant"	the date on which an option letter is issued upon acceptance of an Offer provided that the option letter shall be issued within 7 days after the end of the acceptance period stipulated in the provisions of the Staff Share Option Scheme 2011;
"Director(s)"	includes any person who occupies the position of a director, by whatever name called, of the Bank or otherwise as the context may require;
"Eligible Person"	any Employee (including executive Directors and Chief Executives), as the Directors may determine, in the service of the Bank or a Subsidiary;

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“Employee”	any full-time or part-time employee of the Bank or its Subsidiaries;
“Exercise Period”	in respect of any particular Option or any part thereof, save as provided in clause 8.3 in Appendix 3, the period beginning on the Vesting Date and ending on the fifth anniversary of the Vesting Date during which the Option may be exercised;
“Grantee”	any Eligible Person who accepts the Offer or (where the context permits) the legal personal representative(s) entitled to any such Option in consequence of the death of the Eligible Person (being an individual);
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong for the time being;
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Latest Practicable Date”	11th March, 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time;
“Nomination Committee”	the Nomination Committee of the Bank;
“Notice of Annual General Meeting”	the notice convening the 2011 AGM as set out on pages 4 to 10 of this circular;
“Offer”	an offer by the Bank to an Eligible Person to accept an Option in accordance with the Staff Share Option Scheme 2011;
“Option(s)”	a right to subscribe for Shares granted pursuant to the Staff Share Option Scheme 2011;
“Option Price”	the price per share at which a Grantee may subscribe for Shares upon the exercise of an Option pursuant to the terms and conditions of the Staff Share Option Scheme 2011;
“Ordinance” or “Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Register of Members”	register of members of the Bank;
“Remuneration Committee”	the Remuneration Committee of the Bank;
“Senior Management”	the Deputy Chief Executives of the Bank;

DEFINITIONS

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong;
“Shareholders”	holders of the Shares;
“Share(s)”	fully paid ordinary shares of HK\$2.50 each of the Bank (or such other nominal amount prevailing from time to time);
“Staff Share Option Scheme 2007”	the Staff Share Option Scheme 2007 for the Employees adopted by the Bank at its annual general meeting on 12th April, 2007;
“Staff Share Option Scheme 2011”	the Staff Share Option Scheme 2011 to be adopted by the Bank pursuant to the Ordinary Resolution No. 6 as set out in the Notice of Annual General Meeting in its present or any amended form;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subsidiary” or “Subsidiaries”	a subsidiary or subsidiaries (within the meaning of the Companies Ordinance) for the time being and from time to time of the Bank;
“Substantial Shareholders”	shall have the meaning ascribed to it under the Listing Rules;
“Takeover Code”	the Hong Kong Code on Takeovers and Mergers;
“Unvested Option”	an Option or part thereof which has not been vested and has not yet become exercisable pursuant to the terms on which the Option is granted;
“Vesting Date”	in respect of any particular Option or any part thereof, the date on which such Option is vested and becomes exercisable in accordance with clauses 7 and 8.3 in Appendix 3 and the terms and conditions on which the Option is granted, and the terms “vest”, “vested” and “vesting” shall be construed accordingly;
“Vested Option”	an Option or part thereof which has been vested and has become exercisable pursuant to the terms on which the Option is granted; and
“Vesting Period”	in respect of any particular Option or any part thereof, the period between the Date of Grant and the Vesting Date as set out in clause 7 in Appendix 3.

NOTICE OF ANNUAL GENERAL MEETING

The Bank of East Asia, Limited

(Incorporated in Hong Kong with limited liability in 1918)

Notice of Ninety-second Annual General Meeting

NOTICE IS HEREBY GIVEN that the Ninety-second Annual General Meeting of the members of the Bank will be held in the Grand Ballroom, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Tuesday, 19th April, 2011 at 11:30 a.m. for the following purposes:

1. To consider and adopt the Audited Accounts and the Report of the Directors and the Independent Auditor's Report for the year ended 31st December, 2010;
2. To declare a final dividend of HK\$0.56 per share (with scrip option) for the year ended 31st December, 2010;
3. To re-elect Directors:
 - (a) Professor Arthur LI Kwok-cheung
 - (b) Mr. Thomas KWOK Ping-kwong
 - (c) Mr. Richard LI Tzar-kai
 - (d) Mr. William DOO Wai-hoi
 - (e) Mr. KUOK Khoon-ean
4. To re-appoint KPMG as Auditors of the Bank and authorise the Directors to fix their remuneration;

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

Special Resolution

5. **"THAT** the Articles of Association of the Bank be and are hereby amended as follows:
 - (a) Article 2 be amended by adding the following new definition immediately after the definition of "Board":

“business day” shall have the meaning attributed to it in the Listing Rules;”
 - (b) Article 47 be amended by deleting the sentence ‘For the purpose of this Article, “business day” shall have the meaning attributed to it in the Listing Rules.’;
 - (c) Article 71A be amended by deleting the first sentence and replacing it with the following:

‘The Board may at the expense of the Company send or make available, by hand, by post, by electronic means (including by means of website) or otherwise, instruments of proxy (reply-paid or otherwise) to Members for use at any general meeting(s) or at any separate meeting(s) of the holders of any class of shares, either in blank or nominating in the alternative any one or more of the Directors or any other persons.’;

NOTICE OF ANNUAL GENERAL MEETING

(d) Article 77 be amended by deleting it and replacing it with the following:

'77. No person other than a retiring Director shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless there has been given to the Secretary notice in writing by a Member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected within 7 days after the day of despatch of the notice of the meeting (or such other period, being a period of not less than 7 days, commencing no earlier than the day after the despatch of the notice of such meeting and ending no later than 7 days prior to the date appointed for such meeting, as may be determined by the Directors from time to time).';

(e) Article 128 be amended by deleting it and replacing it with the following:

'128.(A) The Directors shall, from time to time, in accordance with the Ordinance, cause to be prepared and to be laid before the annual general meeting of the Company the relevant financial documents required by the Ordinance. The Directors may also cause to be prepared a summary financial report if they think fit, which may be provided to Members and/or debenture holders instead of the relevant financial documents subject to and in accordance with the Ordinance, the Listing Rules and any applicable laws, rules and regulations.

(B) A copy of the relevant financial documents or the summary financial report shall, not less than 21 days before the meeting, be delivered or sent to every Member and debenture holder of the Company, or in the case of a joint holding to the Member or debenture holder (as the case may be) whose name stands first in the appropriate Register in respect of the joint holding, subject to and in accordance with the relevant requirements under the Ordinance, the Listing Rules and any applicable laws, rules and regulations. No accidental non-compliance with the provisions of this Article shall invalidate the proceedings at the meeting.

(C) For the purpose of this Article, "relevant financial documents" and "summary financial report" shall have the meaning ascribed to them in the Ordinance.';

(f) Article 130 and its heading be amended by deleting them and replacing them with the following:

'Service by hand, by post, by advertisement or by electronic or other means

130. Any notice or document to be given or issued under these Articles shall be in writing, except that any such notice or document to be given or issued by or on behalf of the Company under these Articles (including any "corporate communication" within the meaning ascribed thereto in the Listing Rules) shall be in writing which may or may not be in a transitory form and may be recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not may be sent,

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supplied, served or delivered to another person by the Company by any of the following means subject to and to such extent permitted by and in accordance with the Ordinance, the Listing Rules and any applicable laws, rules and regulations:

- (i) by hand to the person;
- (ii) by hand or by post in a properly prepaid letter, envelope or wrapper to an address specified for the purpose by the person generally or specifically, or an address to which a provision of the Ordinance authorises or requires the notice or document to be sent or supplied; or if the person is a Member, debenture holder, Director or Secretary, his registered address as appearing in the Register, the register of debenture holders or register of Directors and Secretaries; or, in the case of any other person which is a company, its registered office; or, if the Company is unable to obtain an address so specified, the address of the person last known to the Company;
- (iii) by advertisement in an English language newspaper and a Chinese language newspaper in Hong Kong;
- (iv) by electronic means to an address specified for the purpose by the person generally or specifically;
- (v) by making it available on a website; or
- (vi) by any other means to the extent permitted by and in accordance with the Ordinance, the Listing Rules and any applicable laws, rules and regulations.

In the case of joint holders of a share, all notices or documents shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be sufficient notice to all the joint holders.'; and

- (g) Article 131 be amended by deleting it and replacing it with the following:

'131. Subject to the Ordinance, any notice or document (including any "corporate communication" within the meaning ascribed thereto in the Listing Rules) sent, supplied, given or issued by or on behalf of the Company:

- (i) if sent by hand, shall be deemed to have been served when the notice or document is delivered;
- (ii) if sent by post, shall be deemed to have been served on the business day following that on which the envelope or wrapper containing the same is put into a post office situated within Hong Kong and in proving such service it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly prepaid, addressed and put into such post office (airmail if posted from Hong Kong to an address outside Hong Kong) and a certificate in writing signed by the Secretary or other person appointed by the Board that the envelope or wrapper containing the notice or document was so properly prepaid, addressed and put into such post office shall be conclusive evidence thereof;

NOTICE OF ANNUAL GENERAL MEETING

- (iii) if published by way of a newspaper advertisement, shall be deemed to have been served on the date on which it is advertised in one English language newspaper and one Chinese language newspaper in Hong Kong;
- (iv) if sent by electronic means, shall be deemed to have been served at the time which is 48 hours after the notice or document is transmitted electronically provided that no notification that the notice or document sent by electronic means has not reached its recipient has been received by the sender, except that any failure in transmission beyond the sender's control shall not invalidate the effectiveness of the notice or document being served; and
- (v) if made available on a website, shall be deemed to have been served on the later of the following: (a) 48 hours after the notice or document is first made available on the website; or (b) 48 hours after a notification by the Company containing matters required under the Ordinance is received by the recipient."

Ordinary Resolutions

6. **“THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited (**“Stock Exchange”**) granting approval for the listing of and permission to deal in the shares to be issued and allotted pursuant to the exercise of the options in accordance with the terms and conditions of the Staff Share Option Scheme 2011 of the Bank (the **“Scheme 2011”**), the rules of which are contained in the document marked **“A”** produced to the meeting and for the purposes of identification signed by the Chairman thereof, the Scheme 2011 be and is hereby approved and adopted and the Directors be and are hereby authorised to do all such acts and to enter into all such transactions, arrangements and agreements as may be necessary or expedient in order to give full effect to the Scheme 2011 including but without limitation:
- (a) to administer the Scheme 2011 under which options will be granted to Eligible Persons under the Scheme 2011 to subscribe for ordinary shares of HK\$2.50 each of the Bank (the **“Shares”**) (or such other nominal amount prevailing from time to time);
 - (b) to modify and/or amend the Scheme 2011 from time to time provided that such modification and/or amendment is effected in accordance with the provisions of the Scheme 2011 relating to modification and/or amendment, provided always that the total number of Shares subject to the Scheme 2011 shall not exceed the limits referred to therein;
 - (c) to issue and allot from time to time such number of Shares as may be required to be issued pursuant to the exercise of the options under the Scheme 2011 provided always that the total number of Shares subject to the Scheme 2011, when aggregated with any shares subject to any other share option schemes, shall not exceed 5% of the relevant class of the issued share capital of the Bank as at the date of passing this Resolution, but the Bank may seek approval of its shareholders in general meeting for refreshing the 5% limit under the Scheme 2011 and the maximum number of Shares in respect of which options may be granted under the Scheme 2011 and any other share option schemes of the Bank in issue shall not exceed 15% of the relevant class of the issued share capital of the Bank from time to time;

NOTICE OF ANNUAL GENERAL MEETING

- (d) to make application at the appropriate time or times to the Stock Exchange; and any other stock exchanges upon which the issued Shares may for the time being be listed, for listing of and permission to deal in any Shares which hereafter from time to time be issued and allotted pursuant to the exercise of the options under the Scheme 2011; and
- (e) to consent, if it so deems fit and expedient, to such conditions, modifications and/or variations as may be required or imposed by the relevant authorities in relation to the Scheme 2011;

and **THAT** the Staff Share Option Scheme 2007 adopted by the Bank on 12th April, 2007 ("**Scheme 2007**") be terminated such that no further options could thereafter be offered under the Scheme 2007 but in all other respects the provisions of the Scheme 2007 shall remain in full force and effect."

7. **"THAT:**

- (a) a general mandate be and is hereby unconditionally given to the Directors to exercise during the Relevant Period all the powers of the Bank to allot, issue and dispose of additional shares of the Bank and to make or grant offers, agreements, options or warrants which would or might require the exercise of such powers either during or after the Relevant Period, not exceeding 10% of the aggregate nominal amount of the issued share capital of the Bank as at the date of this Resolution, otherwise than any shares which may be issued pursuant to the following events:
 - (i) a rights issue;
 - (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Bank and its subsidiaries of shares or rights to acquire shares of the Bank; or
 - (iii) any scrip dividend or similar arrangement in accordance with the Articles of Association of the Bank; and
- (b) for the purposes of this Resolution:

'Relevant Period' means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next Annual General Meeting of the Bank;
- (ii) the expiration of the period within which the next Annual General Meeting of the Bank is required by law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the members in general meeting."

NOTICE OF ANNUAL GENERAL MEETING

8. **“THAT:**

(a) a general mandate be and is hereby unconditionally granted to the Directors to exercise during the Relevant Period all the powers of the Bank to repurchase ordinary shares of HK\$2.50 each in the capital of the Bank in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time provided however that the aggregate nominal amount of the shares to be repurchased pursuant to the approval in this paragraph shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Bank as at the date of this Resolution; and

(b) for the purposes of this Resolution:

‘Relevant Period’ means the period from the passing of this Resolution until whichever is the earlier of:

(i) the conclusion of the next Annual General Meeting of the Bank;

(ii) the expiration of the period within which the next Annual General Meeting of the Bank is required by law to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the members in general meeting.”; and

9. **“THAT**, conditional on the passing of Resolutions in item 7 and item 8 of the Notice of this Meeting, the general mandate granted to the Directors to allot shares pursuant to the Resolution set out in item 7 of the Notice of this Meeting be and is hereby extended by the addition to the aggregate nominal amount of the share capital which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of the share capital of the Bank repurchased by the Bank under the authority granted pursuant to the Resolution set out in item 8 of the Notice of this Meeting.”

By Order of the Board
Alson LAW Chun-tak
Company Secretary

Hong Kong, 18th March, 2011

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (a) *For the purpose of determining the Shareholders who qualify for the proposed final dividend, the Register of Members of the Bank will be closed on Tuesday, 29th March, 2011 and Wednesday, 30th March, 2011. In order to qualify for the proposed final dividend, 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. Monday, 28th March, 2011.*
- (b) *For the purpose of determining the Shareholders who are entitled to attend and vote at the 2011 AGM, the Register of Members of the Bank will be closed on Monday, 18th April, 2011 and Tuesday, 19th April, 2011. In order to qualify for attending and voting at the 2011 AGM, 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. Friday, 15th April, 2011.*
- (c) *A member entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote in his place. A proxy need not be a member.*
- (d) *The Articles of Association of the Bank are written in English. The Chinese version of the proposed amendments to the Articles of Association as set out in Appendix 2 to the circular to the Shareholders dated 18th March, 2011 (the "**Circular**") is a translation for reference only. Should there be any discrepancies, the English version will prevail.*
- (e) *As set out in the Letter from the Chairman 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 2011 AGM. Please refer to the Circular for details of the matters for which the resolutions are concerned.*

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

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

To the Shareholders

18th March, 2011

Dear Sir or Madam,

INTRODUCTION

The purpose of this circular is to provide you with information in connection with the convening of the 2011 AGM and explanation in connection with the matters to be dealt with at the 2011 AGM. In accordance with the relevant requirements under the Listing Rules, each of the resolutions set out in the Notice of Annual General Meeting shall be voted on by poll.

A notice convening the 2011 AGM is set out on pages 4 to 10 of this circular.

A proxy form for use at the 2011 AGM is enclosed. Whether or not you are able to attend the 2011 AGM, 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, at 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 2011 AGM. Completion and delivery of the proxy form will not preclude you from attending and voting at the 2011 AGM should you so wish.

LETTER FROM THE CHAIRMAN

RESOLUTION (1) — ADOPTION OF THE AUDITED ACCOUNTS AND THE REPORT OF THE DIRECTORS AND THE INDEPENDENT AUDITOR'S REPORT

Annual Report 2010 incorporating the audited accounts, the Report of the Directors and the Independent Auditor's Report for the year ended 31st December, 2010 was sent together with this circular to the Shareholders on the same date. The audited accounts have been reviewed by the Audit Committee.

RESOLUTION (2) — DECLARATION OF FINAL DIVIDEND WITH SCRIP OPTION

The Board has recommended a final dividend of HK\$0.56 per share for the year 2010 in cash with an option to receive new, fully paid Shares in lieu of cash.

The Register of Members will be closed on Tuesday, 29th March, 2011 and Wednesday, 30th March, 2011. In order to qualify for the proposed final dividend, all transfer documents should be lodged for registration with Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, by 4:00 p.m. on Monday, 28th March, 2011.

The listing document containing details of scrip dividend scheme and the election form will be sent to the Shareholders on or about Wednesday, 30th March, 2011.

Subject to the passing of Resolution (2), such final dividend will be paid on or about Wednesday, 20th April, 2011. The scrip dividend scheme is also conditional upon the Listing Committee of the Stock Exchange granting approval to the listing of and permission to deal in the new Shares to be issued under the scrip dividend scheme. The dividend warrants and the share certificates for the scrip dividend will be sent to the Shareholders by ordinary mail on or about Wednesday, 20th April, 2011.

RESOLUTION (3) — RE-ELECTION OF DIRECTORS

In accordance with Articles 74A, 80 and 82 of the Articles of Association, Professor Arthur Li Kwok-cheung, Mr. Thomas Kwok Ping-kwong, Mr. Richard Li Tzar-kai, Mr. William Doo Wai-hoi and Mr. Kuok Khoon-ean shall retire at the 2011 AGM and, being eligible, shall offer themselves for re-election. Details of the Directors who are proposed to be re-elected at the 2011 AGM are set out in Appendix 1 to this circular.

The re-appointment of Directors has been reviewed by the Nomination Committee which made recommendation to the Board that the re-election be proposed for Shareholders' approval at the 2011 AGM. The Nomination Committee has also assessed the independence of all the Bank's Independent Non-executive Directors including those to be re-elected at the 2011 AGM. All the Independent Non-executive Directors of the Bank satisfy the independence guidelines set out in Rule 3.13 of the Listing Rules.

RESOLUTION (4) — RE-APPOINTMENT OF AUDITORS

The Board (which agreed to the view of the Audit Committee) recommended that, subject to the approval of the Shareholders at the 2011 AGM, KPMG be re-appointed as the external auditors of the Bank for 2011.

LETTER FROM THE CHAIRMAN

RESOLUTION (5) — AMENDMENTS TO THE ARTICLES OF ASSOCIATION

A special resolution will be proposed at the 2011 AGM to amend the Articles of Association. A summary of and the reasons for the proposed amendments are set out below.

1. PERIOD FOR NOMINATION OF DIRECTORS

Article 77 currently sets out the period in which notices for the nomination of Directors for election at a general meeting may be given by a Shareholder to the Bank, which ends on the date falling 7 days prior to the date appointed for the general meeting. In accordance with Rule 13.70 of the Listing Rules, upon receipt of such notice, the Bank shall publish an announcement or issue a supplementary circular to provide further details in relation to such candidates at least 10 business days before the date of the relevant general meeting to consider the subject matter. Therefore, under the current arrangement, there is a possibility that such a meeting would have to be adjourned in order to ensure that Shareholders have at least 10 business days to consider the nomination.

The Bank considers it appropriate to revise Article 77 in order to avoid the need for an adjournment of general meetings whilst still complying with the requirements of the Listing Rules. The Bank proposes that by default, the period during which Shareholder notices for nomination of Directors may be given is within 7 days after the day of despatch of the notice of the general meeting. The Board has the discretion to determine a different period, but any such period will be a period of not less than 7 days, commencing no earlier than the day after the despatch of the notice of the general meeting and ending no later than 7 days prior to the date appointed for the meeting.

2. USE OF WEBSITES FOR COMMUNICATION WITH SHAREHOLDERS

In January 2009, the Listing Rules have been amended to permit a listed company, subject to the applicable laws in its jurisdiction of incorporation, to send corporate communications to its shareholders by posting them on the listed company's website. In December 2010, Companies (Amendment) Ordinance 2010 ("**Amendment Ordinance**") introduced changes to the Companies Ordinance which allow Hong Kong-incorporated listed companies to enjoy the flexibility provided by such amendments to the Listing Rules.

The Bank proposes to amend Articles 2, 47, 71A, 128, 130 and 131 to reflect the relevant changes introduced by the Amendment Ordinance to permit the Bank to deliver to, or serve any notice or document (including any corporate communication) on, its Shareholders by electronic means (including by making it available on the Bank's website) if the relevant Shareholders agree (or are deemed to have so agreed in accordance with the Listing Rules and any applicable laws, rules and regulations), and also to reflect other changes introduced by the Amendment Ordinance in relation to communications by the Bank.

The proposed changes would not restrict a Shareholder's right to receive hard copies of such notices or documents, if and when they so wish.

The proposed amendments are set out in full in the Notice of Annual General Meeting.

LETTER FROM THE CHAIRMAN

Our legal advisers, Deacons, have confirmed that the proposed amendments comply with the requirements of the Listing Rules and the laws of Hong Kong. The Bank also confirms that there is nothing unusual about the proposed amendments for a bank listed in Hong Kong.

Details of the proposed amendments to the Articles of Associations are set out in Appendix 2 to this circular.

RESOLUTION (6) — TERMINATION OF THE OPERATION OF THE STAFF SHARE OPTION SCHEME 2007 AND ADOPTION OF THE STAFF SHARE OPTION SCHEME 2011

The Staff Share Option Scheme 2007 was adopted by the Bank on 12th April, 2007 and will expire on 11th April, 2012. On 19th March, 2010, the Hong Kong Monetary Authority issued the "Guideline on a Sound Remuneration System" ("**Guideline**"), which reflects the recommendations of the Financial Stability Board endorsed by the G20 as international standards on sound remuneration practices. In order to bring the terms of the staff share option scheme of the Bank in line with the Guideline, the Directors propose to recommend to Shareholders at the 2011 AGM to approve the adoption of the Staff Share Option Scheme 2011 and simultaneously terminate the operation of the Staff Share Option Scheme 2007. As at the Latest Practicable Date, the Bank has not adopted any share option scheme other than the Staff Share Option Scheme 2007.

It is proposed that, subject to the approval of the Shareholders of its adoption at the 2011 AGM and the Stock Exchange granting the necessary approvals for the listing of and dealing in the Shares to be issued and allotted pursuant to the exercise of Options to be granted thereunder in accordance with the terms and conditions thereof, the Staff Share Option Scheme 2011 shall take effect on the date of its adoption at the 2011 AGM and the Staff Share Option Scheme 2007 will be terminated with effect from the conclusion of the 2011 AGM (such that no further options could thereafter be offered under the Staff Share Option Scheme 2007 but in all other respects the provisions of the Staff Share Option Scheme 2007 shall remain in full force and effect). Operation of the Staff Share Option Scheme 2011 will commence after all conditions precedent have been fulfilled.

The Directors consider that in order to enable the Group to attract and retain Eligible Persons of appropriate qualifications and with the necessary experience to work for the Group, it is important that the Group should continue to provide such Eligible Persons with an additional incentive by offering them an opportunity to obtain an ownership interest in the Bank and to reward them for contributing to the long term success of the business of the Group. By offering the Options to the Eligible Persons upon such terms as may be permitted under the Staff Share Option Scheme 2011, such Eligible Persons may exercise their Options at any time within the Exercise Period (where applicable, subject to any terms of the grant of such Options) to acquire a monetary gain or ownership interest in the Bank which may in turn provide a further incentive to them for advancing their performance. It is therefore proposed that the Staff Share Option Scheme 2011 for the benefit of the Eligible Persons be adopted at the 2011 AGM. The terms of the Staff Share Option Scheme 2011 are set out in Appendix 3 to this circular.

Under the Staff Share Option Scheme 2007, after taking into account the relevant adjustments made to the options in relation to the bonus issue of Shares by the Bank in April 2009, a total of 21,625,000 options had been granted, out of which 2,120,000 options had been exercised, 1,320,000 options have lapsed, no options have been cancelled and 18,185,000 options remain outstanding as at the Latest Practicable Date. The 18,185,000 outstanding options under the Staff Share Option Scheme 2007 are subject to different exercise periods but shall all lapse by 7th July, 2015 if unexercised. Save as aforesaid and up to the Latest Practicable Date, no other options which remain exercisable have been granted under the Staff Share Option Scheme 2007.

LETTER FROM THE CHAIRMAN

or any other schemes. The Directors confirm that between the date of this circular and the 2011 AGM, they will not grant any further option under the Staff Share Option Scheme 2007.

As at the Latest Practicable Date, the Bank has 2,041,992,334 Shares in issue. Assuming that there is no change in the Shares in issue between the period from the Latest Practicable Date and the date of the adoption of the Staff Share Option Scheme 2011, the number of Shares that may be issued upon exercise of all Options which may be granted under the Staff Share Option Scheme 2011 and options to be granted under any other schemes of the Bank will be 102,099,616 Shares, being 5 per cent. of the Shares in issue as at the Latest Practicable Date. Such 5 per cent. limit under the Staff Share Option Scheme 2011 is lower than the 10 per cent. limit allowable under the Listing Rules and is set voluntarily by the Bank, as the Bank does not intend or anticipate the need to grant Options beyond the 5 per cent. limit.

In respect of the operation of the Staff Share Option Scheme 2011, the Bank will comply with all relevant requirements under Chapter 17 of the Listing Rules.

VALUE OF THE OPTIONS

The Directors consider that it is inappropriate to value the Options that can be granted under the Staff Share Option Scheme 2011 on the assumption that they had been granted at the Latest Practicable Date, as a number of variables which are crucial for the calculation of the value of the Options cannot be reasonably fixed at this stage. Such variables include the exercise price, exercise period, vesting period, any performance targets set and other relevant variables. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date which is subject to these variables would not be meaningful and to a certain extent would be misleading to the Shareholders. However, in compliance with the Listing Rules, estimated fair valuations as at the end of the relevant financial period for any interim or final results of the Bank will be provided and disclosed to the Shareholders in the relevant interim or annual report of the Bank.

CONDITIONS PRECEDENT OF THE STAFF SHARE OPTION SCHEME 2011

The adoption of the Staff Share Option Scheme 2011 is subject to the following conditions:

- (a) the approval of the Shareholders for the adoption of the Staff Share Option Scheme 2011; and
- (b) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Shares to be issued and allotted pursuant to the exercise of the Options to be granted thereunder in accordance with the terms and conditions of the Staff Share Option Scheme 2011.

Subject to satisfaction of the above conditions, the total number of Shares which may be issued upon exercise of all Options to be granted under the Staff Share Option Scheme 2011 and options to be granted under any other schemes of the Bank shall not, in aggregate, exceed 5 per cent. of the Shares in issue as at the date of approval of the Staff Share Option Scheme 2011. Under the terms of the Staff Share Option Scheme 2011, the Bank may obtain approval from its Shareholders to refresh the 5 per cent. limit. However, the maximum number of Shares which may be issued upon exercise of all options outstanding and yet to be exercised under the Staff Share Option Scheme 2011 and any other schemes shall not exceed 15 per cent. of the Shares in issue from time to time.

An application has been made to the Stock Exchange for obtaining the approval above-mentioned.

LETTER FROM THE CHAIRMAN

The Staff Share Option Scheme 2011 may be altered in any respect by resolution of the Board except that the terms referred to in Rule 17.03 of the Listing Rules shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the Shareholders in general meeting. Once the Staff Share Option Scheme 2011 is adopted, any alterations to the terms and conditions thereof, which are of a material nature, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Staff Share Option Scheme 2011. The amended terms of the Staff Share Option Scheme 2011 and all Options must continue to comply with the relevant requirements of Chapter 17 of the Listing Rules.

The proposals involving termination of the operation of the Staff Share Option Scheme 2007 and adoption of the Staff Share Option Scheme 2011 have been reviewed by the Remuneration Committee which made recommendation to the Board that the proposals be proposed for Shareholders' approval at the 2011 AGM.

RESOLUTIONS (7), (8) AND (9) — GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES

At the annual general meeting of the Bank held on 22nd April, 2010, approval was given by the Shareholders for the granting of, inter alia, the general mandates to the Directors (i) to allot, issue and otherwise deal with Shares not exceeding 10% of the aggregate nominal amount of the issued share capital of the Bank; and (ii) to repurchase Shares on the Stock Exchange up to 10% of the aggregate nominal amount of the issued share capital of the Bank, as at the date of passing the relevant resolutions. In accordance with the terms of the approval, these general mandates will shortly expire on 19th April, 2011 upon the conclusion of the 2011 AGM. To keep in line with the current corporate practice, the grant of fresh general mandates for the same purpose is being sought from the Shareholders and the ordinary resolutions to grant these mandates to the Directors will be proposed at the 2011 AGM.

Based on the 2,041,992,334 Shares in issue as at the Latest Practicable Date (and assuming that there is no change in respect of the issued share capital of the Bank after the Latest Practicable Date and up to the passing of the relevant resolution), the Bank will therefore be allowed under the mandate to issue a maximum of 204,199,233 Shares.

The Explanatory Statement required by the Listing Rules to be sent to the Shareholders in connection with the proposed share repurchase resolution is set out in Appendix 4 to this circular.

Conditional upon the passing of the Resolutions (7) and (8), an ordinary resolution to authorise the Directors to exercise the powers to allot, issue and dispose of additional Shares of the Bank under the general mandate to issue shares in respect of the aggregate nominal amount of the share capital in the Bank repurchased by the Bank will also be proposed for approval by the Shareholders at the 2011 AGM.

RECOMMENDATION

The Directors consider that the above proposals 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 2011 AGM.

Yours faithfully,

David LI Kwok-po

Chairman & Chief Executive

The following are the particulars of the five Directors proposed to be re-elected at the 2011 AGM:

1. **Professor Arthur Li Kwok-cheung**, *GBS, MA, MD, M.B.B.Chir (Cantab), DSc (Hon), DLitt (Hon), Hon DSc(Med), LLD (Hon), Hon Doc (Soka), FRCS (Eng & Edin), FRACS, Hon FACS, Hon FRCS (Glasg & I), Hon FRSM, Hon FPCS, Hon FCSHK, Hon FRCP (Lond), JP Deputy Chairman, Non-executive Director*

Professor Li, aged 65, was a Director of the Bank (1995-2002) and was re-appointed a Director in January 2008. He is a director of AFFIN Holdings Berhad (listed in Malaysia) and a non-executive director of BioDiem Ltd. (listed in Australia). He is also a member of the National Committee of the Chinese People's Political Consultative Conference. Save as disclosed, Professor Li has not held any directorship in other listed public companies during the last three years.

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

Professor Li was the Secretary for Education and Manpower of the Government of HKSAR and a Member of the Executive Council (2002-June 2007). Before these appointments, he was the Vice Chancellor of the Chinese University of Hong Kong (1996-2002) and was the Chairman of Department of Surgery and the Dean of Faculty of Medicine of the Chinese University of Hong Kong.

Professor Li had held many important positions in various social service organisations, medical associations, and educational bodies, including the Education Commission, Committee on Science and Technology, the Hospital Authority, the Hong Kong Medical Council, the University Grants Committee, the College of Surgeons of Hong Kong, and the United Christian Medical Services Board. He was a member of the Board of Directors of the Hong Kong Science and Technology Parks Corporation and the Hong Kong Applied Science and Technology Research Institute, and Vice President of the Association of University Presidents of China. He was a Hong Kong Affairs Adviser to China.

Professor Li is the brother of Dr. the Hon. Sir David Li Kwok-po, the nephew of Mr. Eric Li Fook-chuen, the cousin of Mr. Aubrey Li Kwok-sing and Mr. Stephen Charles Li Kwok-sze, and the uncle of Mr. Adrian David Li Man-kiu and Mr. Brian David Li Man-bun. Save as disclosed, Professor Li is not connected with any Directors, Senior Management and Substantial Shareholders of the Bank. As at the Latest Practicable Date, the Bank did not have a Controlling Shareholder.

In accordance with the Articles of Association, Professor Li shall retire as a Director at the 2011 AGM and, being eligible, shall offer himself to 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. Professor Li receives a director's fee of HK\$230,000 per annum.

As at the Latest Practicable Date, Professor Li was interested in 23,177,678 (1.14%) Shares within the meaning of Part XV of the Securities and Futures Ordinance. Of these Shares, Professor Li was the beneficial owner of 9,669,685 (0.48%) Shares; and he made a voluntary disclosure of 13,507,993 (0.66%) Shares held by a discretionary trust of which he is the founder but has no influence on how the trustee exercises his discretion.

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

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

2. **Mr. Thomas KWOK Ping-kwong**, *SBS, MSc (Bus Adm), BSc (Eng), Hon DBA, Hon DEng, FCPA (Aust.), JP Independent Non-executive Director and Member of the Remuneration Committee*

Mr. Kwok, aged 59, was appointed a Director in 2001. Mr. Kwok is the Vice Chairman and Managing Director of Sun Hung Kai Properties Limited, Chairman of Route 3 (CPS) Company Limited, Joint Chairman of IFC Development Limited. He was an Executive Director of SUNeVision Holdings Ltd. and was re-designated as a Non-Executive Director thereof with effect from 14th September, 2010. Save as disclosed, Mr. Kwok has not held any directorship in other listed public companies during the last three years.

Mr. Kwok holds a Master's degree in Business Administration from The London Business School, University of London and a Bachelor's degree in Civil Engineering from Imperial College, University of London. He also holds an Honorary Doctorate in Engineering from The Hong Kong Polytechnic University and an Honorary Doctorate in Business Administration from The Open University of Hong Kong. He is a Fellow of The Hong Kong Management Association and also a Fellow of The Australia Certified Public Accountants.

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

Mr. Kwok is the Chairman of the Board of Directors of the Faculty of Business and Economics, The University of Hong Kong. He is also an Executive Vice President and a member of the Executive Committee of The Real Estate Developers Association of Hong Kong. He also serves as a government appointed Member of the Commission on Strategic Development and a non-official member of the Provisional Minimum Wage Commission. In July 2007, the Government of the Hong Kong Special Administrative Region awarded Mr. Kwok the Silver Bauhinia Star for his distinguished community service. He is an Honorary Citizen of Guangzhou and a Standing Committee Member of the Ninth Chinese People's Political Consultative Conference Shanghai Committee.

In the past, Mr. Kwok served as a member of the Exchange Fund Advisory Committee, the Construction Industry Council, as well as the Council for Sustainable Development and Business Facilitation Advisory Committee. He also previously served as a board member of the Community Chest of Hong Kong and as a council member of the Hong Kong Construction Association.

Mr. Kwok is not connected with any Directors, Senior Management and Substantial Shareholders of the Bank. As at the Latest Practicable Date, the Bank did not have a Controlling Shareholder.

In accordance with the Articles of Association, Mr. Kwok shall retire as a Director at the 2011 AGM and, being eligible, shall offer himself to 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. Mr. Kwok receives a director's fee of HK\$230,000 per annum and a Remuneration Committee member's fee of HK\$35,000 per annum.

As at the Latest Practicable Date, Mr. Kwok was not interested in any Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Kwok has met the independence guidelines set out in Rule 3.13 of the Listing Rules.

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

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

3. **Mr. Richard LI Tzar-kai**

Non-executive Director

Mr. Li, aged 44, was appointed a Director in 2001. Mr. Li is an executive director and the Chairman of PCCW Limited, one of Asia's leading companies in Information and Communications Technologies (ICT). He is also the Chairman and Chief Executive of the Pacific Century Group, an executive director and the Chairman of Pacific Century Premium Developments Limited and Singapore-based Pacific Century Regional Developments Limited (listed in Singapore). Save as disclosed, Mr. Li has not held any directorship in other listed public companies during the last three years.

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

Mr. Li is a representative of Hong Kong, China to the Asia Pacific Economic Co-operation (APEC) Business Advisory Council, a member of the Center for Strategic and International Studies' International Councillors' Group in Washington, D.C. and a member of the Global Information Infrastructure Commission.

Mr. Li is not connected with any Directors, Senior Management and Substantial Shareholders of the Bank. As at the Latest Practicable Date, the Bank did not have a Controlling Shareholder.

In accordance with the Articles of Association, Mr. Li shall retire as a Director at the 2011 AGM and, being eligible, shall offer himself to 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. Mr. Li receives a director's fee of HK\$230,000 per annum.

As at the Latest Practicable Date, Mr. Li was deemed to be interested in 5,518,720 (0.27%) Shares held by certain corporations in their capacity as investment managers, out of which 5,390,120 (0.26%) Shares were held by PineBridge Investments Asia Limited ("**PBIA**"), and 128,600 (0.01%) Shares were held by PineBridge Investments LLC ("**PBI LLC**"). PBIA and PBI LLC are indirect subsidiaries of Chiltonlink Limited which is 100% owned by Richard LI Tzar-kai.

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

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

4. **Mr. William DOO Wai-hoi**, *BSc, MSc, G.G., Chevalier de la Légion d'Honneur, JP*
Independent Non-executive Director and Member of the Audit Committee

Mr. Doo, aged 66, was appointed a Director in 2008. He is currently the vice-chairman of New World China Land Limited and the deputy chairman of NWS Holdings Limited. He is an executive director of Lifestyle International Holdings Limited, also an independent non-executive director of Shanghai Industrial Urban Development Group Limited (formerly known as Neo-China Land Group (Holdings) Limited), a director of New World Hotels (Holdings) Limited and Fung Seng Diamond Company Limited. Mr. Doo was a deputy chairman of Taifook Securities Group Limited (now known as Haitong International Securities Group Limited). Save as disclosed, Mr. Doo has not held any directorship in other listed public companies during the last three years.

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

Mr. Doo is Member to the Standing Committee of the Eleventh Shanghai Municipal Committee of the Chinese People's Political Consultative Conference and Convenor of the Hong Kong and Macau Members. He is a Governor of the Canadian Chamber of Commerce in Hong Kong and the Honorary Consul of the Kingdom of Morocco in Hong Kong.

Mr. Doo holds a Degree of Bachelor of Science from the University of Toronto, Canada and a Master Degree in Science from the University of California, U.S.A. He also holds a Diploma of Graduate Gemologist from the Gemologist Institute of America.

Mr. Doo is not connected with any Directors, Senior Management and Substantial Shareholders of the Bank. As at the Latest Practicable Date, the Bank did not have a Controlling Shareholder.

In accordance with the Articles of Association, Mr. Doo shall retire as a Director at the 2011 AGM and, being eligible, shall offer himself to 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. Mr. Doo receives a director's fee of HK\$230,000 per annum and an Audit Committee member's fee of HK\$70,000 per annum.

As at the Latest Practicable Date, Mr. Doo was not interested in any Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Doo has met the independence guidelines set out in Rule 3.13 of the Listing Rules.

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

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

5. Mr. KUOK Khoon-ean

Independent Non-executive Director

Mr. Kuok, aged 55, was appointed a Director in 2008. He is currently the chairman and executive director of Shangri-La Asia Limited, a non-executive director of SCMP Group Limited, a director of Kerry Group Limited and Kerry Holdings Limited. Mr. Kuok is also a director of Wilmar International Limited (listed in Singapore) and a director of Shangri-La Hotel Public Company Limited and The Post Publishing Public Company Limited (both listed in Thailand). Save as disclosed, Mr. Kuok has not held any directorship in other listed public companies during the last three years.

Mr. Kuok was a member of the Audit Committee from 10th January, 2008 to 15th February, 2011. Save as disclosed, Mr. Kuok does not hold any position with the Bank or with other members of the Bank Group. Mr. Kuok has not entered into any service contract with the Bank.

Mr. Kuok is a trustee of Singapore Management University. Mr. Kuok is a graduate in Economics from the Nottingham University, U.K.

Mr. Kuok is not connected with any Directors, Senior Management and Substantial Shareholders of the Bank. As at the Latest Practicable Date, the Bank did not have a Controlling Shareholder.

In accordance with the Articles of Association, Mr. Kuok shall retire as a Director at the 2011 AGM and, being eligible, shall offer himself to 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. Mr. Kuok receives a director's fee of HK\$230,000 per annum and had received an Audit Committee member's fee of HK\$70,000 per annum up to 15th February, 2011.

As at the Latest Practicable Date, Mr. Kuok was not interested in any Shares within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Kuok has met the independence guidelines set out in Rule 3.13 of the Listing Rules.

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

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

This appendix sets out the proposed amendments, as marked up for ease of reference, to the Articles of Association, as follows:

Article 2 — Interpretation

“business day” shall have the meaning attributed to it in the Listing Rules;

Article 47 — Notice of meetings

47. Subject to such other minimum period as may be specified in the Listing Rules from time to time: (a) an annual general meeting shall be called by not less than twenty-one days’ notice or twenty clear business days’ notice, whichever is the longer; (b) a meeting called for the passing of a special resolution shall be called by not less than twenty-one days’ notice; and (c) a meeting other than an annual general meeting or a meeting called for the passing of a special resolution shall be called by not less than fourteen days’ notice or ten clear business days’ notice, whichever is the longer. ~~For the purposes of this Article, “business day” shall have the meaning attributed to it in the Listing Rules.~~ The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, day and time of meeting, and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given in manner hereinafter mentioned to all Members other than such as, under the provisions of these Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the Auditors for the time being of the Company.

Article 71A — Sending proxy with nominations

71A. The Board may at the expense of the Company send or make available, by hand, by post, by electronic means (including by means of website) ~~electronic communication~~ or otherwise, instruments of proxy (reply-paid or otherwise) to Members for use at any general meeting(s) or at any separate meeting(s) of the holders of any class of shares, either in blank or nominating in the alternative any one or more of the Directors or any other persons. If for the purpose of any meeting invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the expense of the Company, such invitations shall subject to Article 48 be issued to all (and not some only) of the Members entitled to be sent a notice of the meeting and to vote thereat by proxy.

Article 77 — Eligibility for election as Director at general meeting

77. No person other than a retiring Director shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless there has been given to the Secretary notice in writing by a Member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected within 7 days after the day of despatch of the notice of the meeting (or such other period, being a period of not less than 7 days, commencing no earlier than the day after the despatch of the notice of such meeting and ending and the minimum length of the period, during which such notice(s) is/are given, shall be at least 7 days and that the period for lodgement of such notice(s) shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date appointed for of such general meeting, as may be determined by the Directors from time to time).

Article 128 — Distribution of accounts

128. (A) The Directors shall, from time to time, in accordance with the Ordinance, cause to be prepared and to be laid before the annual general meeting of the Company the relevant financial documents required by the Ordinance. The Directors may also cause to be prepared a summary financial report if they think fit, which may be provided to Members and/or debenture holders instead of the relevant financial documents ~~in circumstances permitted by the Stock Exchange~~ subject to and in accordance with the Ordinance, the Listing Rules and any applicable laws, rules and regulations.
- (B) ~~Subject to paragraph (C) below, a~~ A copy of the relevant financial documents or the summary financial report shall, not less than 21 days before the meeting, be delivered or sent ~~by post to the registered address of~~ to every Member and debenture holder of the Company, or in the case of a joint holding to the Member or debenture holder (as the case may be) whose name stands first in the appropriate Register in respect of the joint holding, subject to and in accordance with the relevant requirements under the Ordinance, the Listing Rules and any applicable laws, rules and regulations. No accidental non-compliance with the provisions of this Article shall invalidate the proceedings at the meeting.
- ~~(C) Where a Member or debenture holder of the Company has, in accordance with the Ordinance and any rules prescribed by the Stock Exchange from time to time, consented to treat the publication of the relevant financial documents and/or the summary financial report on the Company's computer network as discharging the Company's obligation under the Ordinance to send a copy of the relevant financial documents and/or the summary financial report, then subject to compliance with the publication and notification requirements of the Ordinance and any rules prescribed by the Stock Exchange from time to time, publication by the Company on the Company's computer network of the relevant financial documents and/or the summary financial report at least 21 days before the date of the meeting shall, in relation to each such Member or debenture holder of the Company, be deemed to discharge the Company's obligations under paragraph (B) above.~~
- ~~(D)~~ For the purpose of this Article, "relevant financial documents" and "summary financial report" shall have the meaning ascribed to them in the Ordinance.

Article 130 — Service by hand, by post, by ~~or~~ advertisement or by electronic or other means

130. Any notice or document to be given or issued under these Articles shall be in writing, except that any such notice or document to be given or issued by or on behalf of the Company under these Articles (including any "corporate communication" within the meaning ascribed thereto in the Listing Rules) shall be in writing which may or may not be in a transitory form and may be recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form ~~(including an electronic communication and publication on a computer network)~~ whether having physical substance or not may be sent, supplied, served or delivered to another person by the Company by any of the following means subject to and to such extent permitted by and in accordance with the Ordinance, the Listing Rules and any applicable laws, rules and regulations:
- (i) ~~personally~~ by hand to the person;

- (ii) ~~by sending it by hand or through the by post in a properly prepaid letter, envelope or wrapper addressed to to an address specified for the purpose by the person generally or specifically, or an address to which a provision of the Ordinance authorises or requires the notice or document to be sent or supplied; or if the person is a Member, debenture holder, Director or Secretary, at his registered address as appearing in the Register, the register of debenture holders or register of Directors and Secretaries; or, in the case of any other person which is a company, its registered office; or, if the Company is unable to obtain an address so specified, the address of the person last known to the Company or in the case of another entitled person (as defined in the Ordinance), to such address as he may provide;~~
- ~~(iii) by delivering or leaving it at such address as aforesaid;~~
- (iii) by advertisement in an English language newspaper and a Chinese language newspaper in Hong Kong;
- (iv) by electronic means to an address specified for the purpose by the person generally or specifically transmitting it as an electronic communication to the entitled person at such electronic address as he may have provided; or
- (vi) ~~by publishing it on a computer network making it available on a website; or~~
- (vi) by any other means to the extent permitted by and in accordance with the Ordinance, the Listing Rules and any applicable laws, rules and regulations.

In the case of joint holders of a share, all notices or documents shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be sufficient notice to all the joint holders.

Article 131 — Time of service

131. Subject to the Ordinance, aAny notice or document (including any “corporate communication” within the meaning ascribed thereto in the Listing Rules) sent, supplied, given or issued by or on behalf of the Company:

- (i) if sent by hand, shall be deemed to have been served when the notice or document is delivered;
- (ii) if sent by post, shall be deemed to have been served on the business day following that on which the envelope or wrapper containing the same is put into a post office situated within Hong Kong and in proving such service it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly prepaid, addressed and put into such post office (airmail if posted from Hong Kong to an address outside Hong Kong) and a certificate in writing signed by the Secretary or other person appointed by the Board that the envelope or wrapper containing the notice or document was so properly prepaid, addressed and put into such post office shall be conclusive evidence thereof;
- ~~(ii) if not sent by post but delivered or left at a registered address by the Company, shall be deemed to have been served on the day it was so delivered or left;~~

- (iii) if published by way of a newspaper advertisement, shall be deemed to have been served on the date on which it is advertised in one English language newspaper and one Chinese language newspaper in Hong Kong;
- (iv) if sent ~~as an electronic communication by~~ electronic means, shall be deemed to have been served at the time which is 48 hours after ~~when~~ the notice or document is transmitted electronically provided that no notification that the notice or document sent by ~~electronic communication means~~ has not reached its recipient has been received by the sender, except that any failure in transmission beyond the sender's control shall not invalidate the effectiveness of the notice or document being served; and
- (v) if ~~published on the Company's computer network~~ made available on a website, shall be deemed to have been served on the later of the following: (a) day 48 hours after ~~on which the notice or document is published on the Company's computer network to which the entitled person may have access first~~ made available on the website; or (b) 48 hours after a notification by the Company containing matters required under the Ordinance is received by the recipient.

RESPONSIBILITY STATEMENT

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

THE STAFF SHARE OPTION SCHEME 2011

The following are the terms of the Staff Share Option Scheme 2011 to be submitted to the Shareholders for adoption at the 2011 AGM:

1. Purpose of the Staff Share Option Scheme 2011

- 1.1 The Staff Share Option Scheme 2011 is a share incentive scheme and is established to recognise and acknowledge the contributions that Eligible Persons had made or may make to the Group.
- 1.2 The Staff Share Option Scheme 2011 will provide the Eligible Persons with an opportunity to have a personal stake in the Bank with the view to motivating the Eligible Persons to optimise their performance and efficiency for the benefit of the Group.

2. Conditions of the Staff Share Option Scheme 2011

- 2.1 The Staff Share Option Scheme 2011 shall take effect subject to the passing of the necessary resolution to adopt the Staff Share Option Scheme 2011 by the Shareholders in the 2011 AGM of the Bank and is conditional upon the Stock Exchange granting approval for the listing of and permission to deal in any Shares to be issued and allotted by the Bank pursuant to the exercise of Options to be granted thereunder in accordance with the terms and conditions of the Staff Share Option Scheme 2011.
- 2.2 If any of the above conditions are not satisfied on or before 19th May, 2011, the Staff Share Option Scheme 2011 shall forthwith determine and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Staff Share Option Scheme 2011.
- 2.3 References in clause 2.1 to the Stock Exchange granting the approval referred to therein shall include where such approval is granted subject to conditions.

3. Duration and Administration

- 3.1 Subject to clauses 2 and 14, the Staff Share Option Scheme 2011 shall be valid and effective for a period of 5 years commencing on the Adoption Date, after which no further Options will be issued but the provisions of the Staff Share Option Scheme 2011 shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Staff Share Option Scheme 2011.

3.2 The Staff Share Option Scheme 2011 shall be subject to the administration of the Board whose decision (save as otherwise provided herein) shall be final and binding on all parties. Without prejudice to the generality of the foregoing, the Board shall have the absolute discretion to:

- (a) interpret and construe the provisions of the Staff Share Option Scheme 2011;
- (b) subject to clauses 4, 5, 6 and 9, determine the persons who will be awarded Options under the Staff Share Option Scheme 2011, the number of Shares subject to such Options and the Option Price awarded thereto;
- (c) determine the relevant terms and conditions for the grant and/or vesting of each Option;
- (d) subject to clauses 11 and 14, make such appropriate and equitable adjustments to the terms of Options granted under the Staff Share Option Scheme 2011 as it deems necessary;
- (e) subject to clause 14, adopt rules and regulations for carrying out the Staff Share Option Scheme 2011;
- (f) prescribe the form or forms of instruments to be issued as evidence of any Options granted under the Staff Share Option Scheme 2011; and
- (g) make such other decisions or determinations as it shall deem appropriate in the administration of the Staff Share Option Scheme 2011.

4. Eligibility Criteria

The Board may at its discretion grant Options to any Eligible Person.

5. Grant of Options

5.1 On and subject to the terms of the Staff Share Option Scheme 2011, the Board shall be entitled at any time on a Business Day within 5 years commencing on the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select in accordance with clause 4.

5.2 No fee shall be payable upon acceptance of an Offer. For value received, an Offer of the grant of an Option shall be accepted when the Bank receives the duly signed offer letter from the Grantee but in any event no later than 14 days after the date of the offer letter. Upon acceptance of an Offer, the Bank shall on the Date of Grant issue an option letter in such form as the Board may from time to time determine.

5.3 Subject to the provisions of the Staff Share Option Scheme 2011, the Listing Rules and other applicable rules and regulations and having regard to applicable guidelines and standards, the Board may, on a case by case basis and at its discretion when offering the grant of an Option, impose any criteria, conditions, restrictions or limitations in relation thereto additional to those expressly set forth in the Staff Share Option Scheme 2011 as it may think fit (but which shall be stated in the letter

containing the Offer of the grant of the Option). These additional criteria, conditions, restrictions and limitations include (without prejudice to the generality of the foregoing), financial and non-financial factors, the continuing compliance of such terms and conditions that may be attached to the grant of the Option and fulfillment and validation of conditions for vesting of the Option, failing which the Option (to the extent that it has not already been vested or exercised, as the case may be) shall lapse unless otherwise resolved to the contrary by the Board.

- 5.4 Without prejudice to the generality of the foregoing and subject to the Listing Rules and clause 6, the Board may grant Options in respect of which the Option Price is fixed at different prices for different periods during the Exercise Period.
- 5.5 The Board shall not offer the grant of an Option to any Eligible Person (i) after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the relevant requirements of the Listing Rules; or (ii) within such period (as the Listing Rules may require from time to time) immediately preceding the earlier of the date of the Board meeting for the approval of the Bank's results and the deadline for the Bank to publish its results announcement under the Listing Rules, until such information has been announced pursuant to the relevant requirements of the Listing Rules.
- 5.6 Without prejudice to clauses 5.1 to 5.5 above, any grant of Options to an executive Director, Chief Executive or substantial shareholder (as defined in the Listing Rules) of the Bank must be approved by the independent non-executive Directors. Where Options are proposed to be granted to a substantial shareholder (as defined in the Listing Rules) of the Bank or any of their respective Associates, which will result in the total number of Shares issued and to be issued upon exercise of the share options granted or to be granted to such person under the Staff Share Option Scheme 2011 and any other schemes (which are subject to regulation under Chapter 17 of the Listing Rules) of the Bank (including exercised, cancelled and outstanding share options) in the 12-month period immediately preceding and including the date of such grant to such person exceeding 0.1% of the Shares in issue as at the date of such grant and HK\$5 million in value in aggregate, based on the closing price of the Shares at the date of each grant, then the proposed grant must be subject to the approval by the Shareholders at a general meeting taken on a poll. All Connected Persons of the Bank must abstain from voting in favour of the proposed grant at such general meeting. A circular must be despatched to the Shareholders explaining the proposed grant, disclosing the number and terms of the Options to be granted and containing a recommendation from the independent non-executive Directors on whether or not to vote in favour of the proposed grant.
- 5.7 For the avoidance of doubt, the requirements for the granting of Options to an executive Director or Chief Executive of the Bank do not apply where the Eligible Person is only a proposed executive Director or Chief Executive of the Bank.

6. Option Price

- 6.1 The Option Price shall be a price determined by the Board and notified to each Grantee (in the letter containing the Offer of the grant of the Option) and shall not be less than the highest of:
- (a) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the Date of Grant of the relevant Option, which must be a Business Day;

- (b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the 5 Business Days immediately preceding the Date of Grant of the relevant Option; and
- (c) the nominal value of a Share.

6.2 The Option Price shall also be subject to any adjustments made in a situation contemplated under clause 11.

7. Vesting of Options

Save as provided in clause 8.3, an Option granted hereunder shall be vested and become exercisable as follows:

- (a) not more than one third of the Option shall be vested and become exercisable on the first anniversary of the Date of Grant;
- (b) not more than one third of the Option shall be vested and become exercisable on the second anniversary of the Date of Grant; and
- (c) the remaining balance of the Option shall be vested and become exercisable on the third anniversary of the Date of Grant.

8. Exercise of Options

8.1 An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option, failing which the Option (to the extent it has not already been vested or exercised) shall lapse.

8.2 Subject to the relevant Exercise Period and the other terms and conditions of the grant, an Option shall be exercised in whole or in part by the Grantee (but only in respect of such multiples of Shares as may be determined by the Bank in the Offer) by giving notice in writing to the Bank stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Option Price for the Shares in respect of which the notice is given. Any notice given without such relevant remittance shall be invalid. Within the period from the 6th to 12th Business Days (excluding any period(s) of closure of the Bank's share registers) after receipt of the notice together with remittance of the relevant Option Price in full and, where appropriate, receipt of the Auditors' certificate or the independent financial adviser's certificate pursuant to clause 11, the Bank shall allot the relevant number of Shares to the Grantee credited as fully paid and issue to the Grantee a share certificate or in scripless form to the extent permitted by and in accordance with the Listing Rules and other applicable rules and regulations in respect of the Shares so allotted.

8.3 Subject as hereinafter provided, an Option or any part thereof may be exercised by the Grantee at any time during the applicable Exercise Period, provided that:

(a) in the event of death of the Grantee:

- (i) his legal personal representative(s) may exercise the Vested Options which the Grantee is entitled to as at the date of death in whole or in part (to the extent not exercised) within the relevant Exercise Period; and
- (ii) any Unvested Options of the Grantee shall become Vested Options as at the date of death, and his legal personal representative(s) may exercise such Options in whole or in part within the period beginning on such Vesting Date and ending on the fifth anniversary of the Vesting Date,

and any of his Options not exercised shall lapse on the date immediately after the expiry of the relevant period;

(b) where the Grantee's employment is terminated on the ground of disability due to physical injury or ill-health:

- (i) the Grantee may exercise the Vested Options which he is entitled to as at the date of cessation as an Employee in whole or in part (to the extent not exercised) within the relevant Exercise Period; and
- (ii) any Unvested Options of the Grantee shall become Vested Options as at the date of cessation, and the Grantee may exercise such Options in whole or in part within the period beginning on such Vesting Date and ending on the fifth anniversary of the Vesting Date,

and any of his Options not exercised shall lapse on the date immediately after the expiry of the relevant period;

(c) if the Grantee ceases to be an Employee by reason of retirement:

- (i) the Grantee may exercise the Vested Options which he is entitled to as at the date of retirement in whole or in part (to the extent not exercised) within the relevant Exercise Period; and
- (ii) any Unvested Options of the Grantee as at the date of retirement shall continue to vest in accordance with the terms on which they are granted (unless the Board shall determine that the vesting of such Unvested Options or any part thereof shall be accelerated in the relevant circumstances such as on compassionate grounds for ill-health), and the Grantee may exercise such Options in whole or in part within the period beginning on such Vesting Date and ending on the fifth anniversary of the Vesting Date,

and any of his Options not exercised shall lapse on the date immediately after the expiry of the relevant period;

- (d) if the Grantee ceases to be an Employee by reason of termination of his employment by the Bank or the Subsidiary (as the case may be) employing him upon any of the following grounds, then all his Options (whether vested or not, and to the extent not exercised) shall lapse and terminate on the date of such cessation:
- (i) wilfully disobeying a lawful and reasonable order;
 - (ii) misconducting himself, such conduct being inconsistent with the due and faithful discharge of his duties;
 - (iii) being guilty of fraud or dishonesty;
 - (iv) being habitually neglectful in his duties; or
 - (v) upon any other grounds on which the Bank or the Subsidiary (as the case may be) employing him would be entitled to terminate the contract of employment without notice at common law;
- (e) if the Grantee ceases to be an Employee by resignation:
- (i) the Grantee may exercise the Vested Options which he is entitled to as at the date of cessation in whole or in part (to the extent not exercised) within the relevant Exercise Period or the period beginning on the date of cessation and ending on the first anniversary of such date (whichever expires earlier); and
 - (ii) any Unvested Options of the Grantee shall lapse on the date of cessation, unless the Board shall determine that, in the relevant circumstances, such Unvested Options or any part thereof shall continue to vest in accordance with the terms on which they are granted, in which event the Grantee may exercise such Options in whole or in part within the period beginning on the relevant Vesting Date and ending on the first anniversary of the Vesting Date;
- and any of his Options not exercised shall lapse on the date immediately after the expiry of the relevant period;
- (f) if any of the following events occurs, all of the Vested Options (to the extent not exercised) and Unvested Options of the Grantee shall lapse immediately:
- (i) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Grantee;
 - (ii) there is unsatisfied judgment, order or award outstanding against the Grantee or the Bank has reason to believe that the Grantee is unable to pay or have no reasonable prospect of being able to pay his debts;

- (iii) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in sub-clauses (i) and (ii) above;
 - (iv) a bankruptcy order has been made against the Grantee in any jurisdiction; or
 - (v) a petition for bankruptcy has been presented against the Grantee in any jurisdiction;
- (g) if the Grantee ceases to be an Employee for any reason other than as described in sub-clauses (a), (b), (c), (d), (e) and (f) above, then:
- (i) any Vested Options which the Grantee is entitled to as at the date he so ceases may be exercised to the extent then exercisable within the relevant Exercise Period or the period beginning on the date of cessation and ending on the first anniversary of the date of cessation (whichever expires earlier); and
 - (ii) any Unvested Options shall continue to vest in accordance with the terms on which they are granted (unless the Board shall determine that the vesting of such Unvested Options or any part thereof shall be accelerated in the relevant circumstances such as on compassionate grounds for ill-health) and the Grantee may exercise such Options in whole or in part within the period beginning on such Vesting Date and ending on the first anniversary of the Vesting Date;

and any of his Options not exercised shall lapse on the date immediately after the expiry of the relevant period, and provided that in any such case the Board may in its absolute discretion determine that any Vested Options (to the extent not exercised) or Unvested Options shall be cancelled or otherwise subject to such conditions or limitations as the Board may decide;

- (h) if a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional (within the meaning of the Takeover Code), the Grantee shall be entitled to exercise the Vested Option which the Grantee is entitled to as at the date on which the general offer becomes or is declared unconditional (within the meaning of the Takeover Code) ("**Unconditional Date**") (to the extent not exercised) and any Unvested Options which shall become Vested Options as at the Unconditional Date in whole or in part at any time within the period beginning on the Unconditional Date and ending on the date which is 30 days after the Unconditional Date. Any of his Options not exercised shall lapse on the date immediately after the expiry of the relevant period;
- (i) in the event notice is given by the Bank to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up the Bank, the Bank shall forthwith give notice thereof to the Grantee and the Grantee may, by notice in writing to the Bank accompanied by the remittance for the total Option Price payable in respect of the exercise of the relevant Option (such notice to be received by the Bank not later than two Business Days (excluding any period(s) of closure of the Bank's share registers) prior

to the proposed meeting) exercise the Vested Option which the Grantee is entitled to as at the date of the notice to the Grantee (to the extent not exercised) and any Unvested Options which shall become Vested Options as at such date in whole or in part. The right of the Grantees to exercise their respective Options shall be suspended immediately thereafter and shall be restored in full on the date immediately after the date of the relevant Shareholders' meeting if such resolution is not approved. The Bank shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of the Bank's share registers) immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise. Any of the Options not exercised shall lapse on the date on which such resolution is approved by the Shareholders; and

- (j) in the event of a compromise or arrangement between the Bank and its Shareholders or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Bank (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), the Bank shall give notice thereof to all Grantees on the same date as it gives notice of the meeting to its Shareholders or creditors to consider such a scheme of arrangement, and thereupon the Grantee may, by notice in writing to the Bank accompanied by the remittance for the total Option Price payable in respect of the exercise of the relevant Option (such notice to be received by the Bank not later than two Business Days (excluding any period(s) of closure of the Bank's share registers) prior to the proposed meeting) exercise the Vested Option which the Grantee is entitled to as at the date of the notice to the Grantee (to the extent not exercised) and any Unvested Options which shall become Vested Options as at such date in whole or in part. The right of the Grantees to exercise their respective Options shall be suspended immediately thereafter and shall be restored in full on the date immediately after the date of the relevant meeting if such resolution is not approved. The Bank shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of the Bank's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and registered the Grantee as holder thereof. Any of his Options not exercised shall lapse on the date on which the proposed compromise or arrangement becomes effective.

8.4 The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the Articles of Association in force as at the Allotment Date and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the Allotment Date and accordingly shall entitle the holders to participate in all dividends or other distributions paid or made after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the Allotment Date. A Share allotted upon the exercise of an Option shall not carry voting rights until the name of the Grantee has been duly entered into the register of Shareholders as the holder thereof.

8.5 Without prejudice to the generality of the foregoing, the Grantee may only exercise an Option subject to any restrictions as may be reasonably imposed by the Board from time to time with a view to ensure or facilitate compliance with any relevant law, mandatory rules and/or regulations binding the Bank, particularly those relating to insider dealing and other prohibitions under the Listing Rules.

9. Lapse of Option

An Option (to the extent such Option has not already been vested or exercised, as the case may be) shall lapse and not be exercisable on the earliest of:

- (a) the date immediately after the expiry of the Exercise Period;
- (b) the date immediately after the expiry of any of the periods referred to in clauses 8.3(a), (b), (c), (d), (e) and (f);
- (c) the date on which a situation as contemplated under clause 8.3(g) arises;
- (d) in respect of the situation contemplated in clause 8.3(h), the date immediately after the expiry of the period referred to therein;
- (e) the date of the commencement of the winding-up of the Bank in respect of the situation contemplated in clause 8.3(i);
- (f) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in clause 8.3(j);
- (g) the date on which a situation as contemplated under clause 8.1 arises;
- (h) the date on which the Grantee commits a breach of any terms or conditions attached to the grant or vesting of the Option, unless otherwise resolved to the contrary by the Board; or
- (i) the date on which it is established that any data previously taken into account in assessing the performance of the Grantee and in granting the Option is later proven to have been manifestly misstated, or that there has been fraud or other malfeasance on the part of the Grantee or violation by the Grantee of internal control policies of the Bank.

10. Maximum Number of Shares

10.1 Subject to clauses 10.2, 10.3 and 10.4, the maximum number of Shares in respect of which Options may be granted under the Staff Share Option Scheme 2011 and any other schemes (which are subject to regulation under Chapter 17 of the Listing Rules) involving the issue or grant of options or similar rights over Shares or other securities by the Bank shall not, in aggregate, exceed 5% of the Shares in issue as at the date of approval of the Staff Share Option Scheme 2011 (the "**Scheme Mandate Limit**") unless such issue or grant is approved by the Shareholders pursuant to clause 10.3.

10.2 Subject to clauses 10.3 and 10.4, the Scheme Mandate Limit may be refreshed by the Shareholders in general meeting from time to time provided always that the Scheme Mandate Limit so refreshed must not exceed 5% of the Shares in issue as at the date of approval of such refreshment by Shareholders in general meeting. Upon such refreshment, all options granted under the Staff Share Option Scheme 2011 and any other share option schemes (which are subject to regulation under Chapter 17 of the Listing Rules) of the Bank (including those exercised, outstanding, cancelled, lapsed in accordance

with the terms of the Staff Share Option Scheme 2011 or such other share option schemes of the Bank) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. A circular must also be sent to the Shareholders containing such information from time to time required by the Stock Exchange.

- 10.3 Subject to clause 10.4, the Board may seek separate Shareholders' approval in general meeting to grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Persons specified by the Bank before such approval is sought and the Bank must issue a circular to the Shareholders containing such information from time to time required by the Stock Exchange in relation to any such proposed grant to such Eligible Persons.
- 10.4 The maximum number of Shares which may be issued upon the exercise of all outstanding Options granted and yet to be exercised under the Staff Share Option Scheme 2011 and any other schemes (which are subject to regulation under Chapter 17 of the Listing Rules) involving the issue or grant of options or similar rights over Shares or other securities by the Bank must not, in aggregate, exceed 15% of the Shares in issue from time to time. Notwithstanding anything contrary to the terms of the Staff Share Option Scheme 2011, no options may be granted under any schemes of the Bank (including the Staff Share Option Scheme 2011) if this will result in the said 15% limit being exceeded.
- 10.5 No Option may be granted to any Eligible Persons which if exercised in full would result in the total number of Shares issued and to be issued upon exercise of the share options already granted or to be granted to such Eligible Person under the Staff Share Option Scheme 2011 and any other schemes (which are subject to regulation under Chapter 17 of the Listing Rules) of the Bank (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such new grant exceeding 1% of the Shares in issue as at the date of such new grant. Any grant of further Options above this limit shall be subject to the following requirements:
- (a) approval of the Shareholders at general meeting, with such Eligible Person and its Associates abstaining from voting;
 - (b) a circular in relation to the proposal for such further grant having been sent by the Bank to its Shareholders with such information from time to time required by the Listing Rules;
 - (c) the number and terms (including the Option Price) of the Options to be granted to such proposed Grantee shall be fixed before the Shareholders' approval mentioned in sub-clause (a) above; and
 - (d) for the purpose of calculating the Option Price for the Shares in respect of the further Options proposed to be so granted as described under clause 6, the date of Board meeting for proposing such grant of further Options shall be taken as the Date of Grant.
- 10.6 The maximum number of Shares referred to in clause 10 shall be adjusted, in such manner as the Auditors shall certify as fair and reasonable in accordance with clause 11.

11. Reorganisation of Capital Structure

- 11.1 In the event of any alteration in the capital structure of the Bank while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of capital of the Bank, such corresponding alterations (if any) shall be made in:
- (a) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
 - (b) the Option Price; and/or
 - (c) the maximum number of Shares referred to in clause 10.
- 11.2 The Auditors or the independent financial adviser of the Bank shall certify in writing to the Board the alterations, and according to their opinion based on fairness and reasonableness either generally or as regards any particular Grantee (except in the case of a capitalisation issue where no such certification shall be required unless otherwise expressly required by the Board) and satisfy the requirement that such alterations give the Grantee the same proportion of the equity capital as that to which that the Grantee was previously entitled, provided that:
- (a) any such alterations shall be made on the basis that the relevant total Option Price payable by a Grantee on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
 - (b) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and
 - (c) no such alterations shall be made the effect of which would be to increase the proportion of the Shares in issue for which any Grantee is entitled to subscribe pursuant to the Options held by him.
- 11.3 For the avoidance of doubt, the issue of securities as consideration in a transaction to which the Bank is a party shall not be regarded as a circumstance requiring any such alterations.
- 11.4 The costs of the Auditors or the independent financial adviser of the Bank relating to the Staff Share Option Scheme 2011 shall be borne by the Bank.
- 11.5 In giving any certificate under this clause 11, the Auditors or the independent financial adviser of the Bank shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on the Bank and all persons who may be affected thereby.

12. Share Capital

The exercise of any Option shall be subject to the Shareholders in a general meeting approving any necessary increase in the share capital of the Bank. Subject thereto the Board shall make available sufficient authorised but unissued share capital of the Bank to meet subsisting requirements on the exercise of Options.

13. Disputes

Any dispute arising in connection with the Staff Share Option Scheme 2011 (whether as to the number of Shares, the subject of an Option (where applicable), whether all or part of an Option has been vested, the amount of the Option Price or otherwise) shall be referred to the decision of the Auditors or the independent financial adviser of the Bank who shall act as experts and not as arbitrators and whose decision shall be final and binding on the Grantee.

14. Alteration of The Staff Share Option Scheme 2011

14.1 The Staff Share Option Scheme 2011 may be altered in any respect by resolution of the Board except that the following matters shall require Shareholders' approval at general meeting:

- (a) the provisions of the Staff Share Option Scheme 2011 as to the definitions of "Eligible Person", "Grantee", "Exercise Period" and "Vesting Period" and the provisions of clauses 1, 3.1, 4, 5.2, 5.3, 6, 7, 8.1, 8.3, 8.4, 9, 10, 11, 14, 15 and 16 shall not be altered to the advantage of Grantees or prospective Grantees except with the prior approval of the Shareholders in general meeting;
- (b) any alterations to the terms and conditions of the Staff Share Option Scheme 2011 which are of a material nature, except where such alterations take effect automatically under the existing terms of the Staff Share Option Scheme 2011; and
- (c) any change to the authority of the Board in relation to any alteration to the terms of the Staff Share Option Scheme 2011,

provided always that the amended terms of the Staff Share Option Scheme 2011 must continue to comply with the relevant provisions of the Listing Rules as may be amended from time to time.

14.2 Subject to clause 14.1, the Board may at any time alter, amend or modify the terms and conditions of the Staff Share Option Scheme 2011 such that the provisions of the Staff Share Option Scheme 2011 would comply with all relevant legal and regulatory requirements in all relevant jurisdictions to the extent as considered necessary by the Board to implement the terms of the Staff Share Option Scheme 2011.

15. Termination

The Bank by resolution in general meeting or the Board may at any time terminate the operation of the Staff Share Option Scheme 2011 and in such event, no further Options will be offered but the provisions of the Staff Share Option Scheme 2011 shall remain in force in all other respects.

16. Cancellation

The Board shall have the absolute discretion to cancel any Options granted but not vested or exercised (as the case may be) at any time at the request of the Grantee provided that where an Option is cancelled and a new Option is proposed to be issued to the same Grantee, the issue of such new Option may only be made with available Shares in the authorised but unissued share capital of the Bank, and available and ungranted Options within the limits referred to in clause 10 (but excluding for this purpose all cancelled Options).

17. Miscellaneous

17.1 The Staff Share Option Scheme 2011 shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Bank directly or indirectly or give rise to any cause of action at law or in equity against the Bank.

17.2 The Bank shall bear the costs of establishing and administering the Staff Share Option Scheme 2011.

17.3 A Grantee shall be entitled to receive copies of all notices and other documents sent by the Bank to holders of Shares.

17.4 Any notice or other communication between the Bank and a Grantee may be given by sending the same by prepaid post or by personal delivery to, in the case of the Bank, its registered office in Hong Kong from time to time and, in the case of the Grantee, his address or fax number or e-mail address as notified to the Bank from time to time.

17.5 Any notice or other communication served:

- (a) by the Bank shall be deemed to have been served 24 hours after the same was put in the post or delivered by hand or by courier or by fax or by internet to the e-mail address of the Grantee as notified to the Bank from time to time; and
- (b) by the Grantee shall not be deemed to have been received until the same shall have been received by the Bank.

17.6 A Grantee shall be responsible for obtaining any governmental or other official consent that may be required by any country or jurisdiction in order to permit the grant or exercise of his Option. The Bank shall not be responsible for any failure by a Grantee to obtain any such consent or for any tax or other liability to which a Grantee may become subject as a result of his participation in the Staff Share Option Scheme 2011.

17.7 By accepting an Option, a Grantee shall be deemed irrevocably to have accepted the grant subject to the provisions of the Staff Share Option Scheme 2011 and to have waived any entitlement, by way of compensation for loss of office or otherwise howsoever, to any sum or other benefit to compensate him for loss of any rights under the Staff Share Option Scheme 2011.

17.8 The Staff Share Option Scheme 2011 and all Options granted hereunder shall comply with the requirements of the Listing Rules, and be governed by and construed in accordance with the laws of Hong Kong.

The following is the Explanatory Statement required to be sent to the Shareholders under the Listing Rules in connection with the proposed general mandate for repurchase of Shares and also constitutes the memorandum required under Section 49BA of the Companies Ordinance:

- (i) At the 2011 AGM a resolution will be proposed that the Directors be given a general mandate to exercise all powers of the Bank to repurchase on the Stock Exchange fully paid-up Shares representing up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Bank as at the date of passing the resolution (the “**Repurchase Mandate**”). Based on the 2,041,992,334 Shares in issue as at the Latest Practicable Date (and assuming that there is no change in respect of the issued share capital of the Bank after the Latest Practicable Date and up to the passing of the relevant resolution), the Bank will therefore be allowed under the Repurchase Mandate to repurchase a maximum of 204,199,233 Shares.
- (ii) Although the Directors have no present intention of repurchasing any Shares, they believe that the flexibility afforded by the Repurchase Mandate will be beneficial to the Bank and its Shareholders. Trading conditions on the Stock Exchange have sometimes been volatile in recent years and if there are occasions in the future when depressed market conditions arise and Shares are trading at a discount to their underlying value, the ability of the Bank to repurchase Shares will be beneficial to those Shareholders who retain their investment in the Bank since their percentage interests in the assets of the Bank will increase in proportion to the number of Shares repurchased by the Bank. Furthermore, the Directors’ exercise of the mandate granted under the Repurchase Mandate may lead to an increased volume of trading in Shares on the Stock Exchange.
- (iii) The Directors propose that repurchases of Shares under the Repurchase Mandate will be financed from the available cash flow or working capital facilities of the Bank and its subsidiaries. In repurchasing Shares, the Bank may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the laws of Hong Kong.
- (iv) There may be material adverse impact on the working capital or gearing position of the Bank (as compared with the position disclosed in its most recent published audited accounts) in the event that the proposed share repurchases are to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as will, in the circumstances, have a material adverse effect on the working capital requirements of the Bank or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Bank.
- (v) There are no Directors or (to the best of the knowledge of the Directors, having made all reasonable enquiries) any Associates of the Directors of the Bank who have a present intention, in the event that the Repurchase Mandate is granted by Shareholders, to sell Shares to the Bank.
- (vi) The Directors have undertaken to the Stock Exchange to exercise the power of the Bank to make purchases pursuant to the Repurchase Mandate in accordance with the Listing Rules and the laws of Hong Kong.

- (vii) If as a result of a share repurchase a Shareholder's proportionate interest in the voting rights of the Bank increases, such increase will be treated as an acquisition of voting rights for purpose of the Takeover Code. As a result, a Shareholder, or group of Shareholders acting in concert, may be treated as having obtained or consolidated control of the Bank and thereby become obliged to make a mandatory offer in accordance with Rule 26 of the Takeover Code. Save as aforesaid, the Directors are not aware of any consequence which would arise under the Takeover Code as a consequence of any purchases pursuant to the Repurchase Mandate.
- (viii) No purchases have been made by the Bank of its Shares in the six months prior to the date of this circular.
- (ix) No Connected Persons of the Bank have notified it of a present intention to sell Shares to the Bank and no such persons have undertaken not to sell any such Shares to the Bank in the event that the Repurchase Mandate is granted by the Shareholders.
- (x) The highest and lowest prices at which Shares had traded on the Stock Exchange in each of the previous twelve months were as follows:

		Highest	Lowest
		<i>HK\$</i>	<i>HK\$</i>
2010	:		
	March	29.85	28.10
	April	29.75	27.80
	May	29.00	26.35
	June	29.60	27.05
	July	31.15	27.65
	August	31.90	29.10
	September	33.50	29.00
	October	35.35	32.30
	November	35.35	32.60
	December	33.95	31.95
2011	:		
	January	36.60	32.70
	February	35.90	31.95