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### JOINT ANNOUNCEMENT

**(1) PRE-CONDITIONAL VOLUNTARY CASH PARTIAL OFFER BY NOMURA ON BEHALF OF THE OFFEROR TO ACQUIRE A MAXIMUM OF 326,250,000 CHB SHARES IN THE CAPITAL OF CHONG HING BANK (REPRESENTING 75 PER CENT. OF ITS ISSUED SHARE CAPITAL) FROM QUALIFYING CHONG HING BANK SHAREHOLDERS**

**(2) COMMITMENT BY LCHI AND ALBA TO ACCEPT THE PARTIAL OFFER UNDER THE LCHI IRREVOCABLE UNDERTAKING CONSTITUTING A VERY SUBSTANTIAL DISPOSAL FOR LCHI**

**(3) PROPERTY AGREEMENT CONSTITUTING A DISCLOSEABLE TRANSACTION, A CONNECTED TRANSACTION AND A CONTINUING CONNECTED TRANSACTION OF CHB, A MAJOR TRANSACTION OF LCHI AND A SPECIAL DEAL IN RELATION TO THE PARTIAL OFFER**

**(4) CONDITIONAL SPECIAL INTERIM DIVIDEND BY CHB**

**(5) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER TO THE CHB INDEPENDENT BOARD COMMITTEES**

**AND**

**(6) RESUMPTION OF TRADING IN THE SHARES IN CHB AND LCHI**

**Financial Adviser to the Offeror**

**Financial Adviser to CHB and LCHI**

**NOMURA**



**Independent Financial Adviser to the CHB Independent Board Committees**



## **THE PARTIAL OFFER**

Yuexiu, the Offeror and CHB jointly announce that Nomura, on behalf of the Offeror, firmly intends, subject to the satisfaction of the Pre-Condition, to make a voluntary conditional cash partial offer to acquire a maximum of 326,250,000 CHB Shares (representing 75 per cent. of the CHB Shares in issue as at the date of this Announcement) from Qualifying CHB Shareholders at an offer price of HK\$35.69 per CHB Share.

Assuming full acceptance of the Partial Offer in respect of 326,250,000 CHB Shares, the aggregate cash consideration payable by the Offeror under the Partial Offer will amount to approximately HK\$11,644 million.

Nomura, financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Partial Offer in respect of 326,250,000 CHB Shares.

It is intended that following closing of the Partial Offer, CHB will maintain its listing on the Stock Exchange.

Further details of the Partial Offer are set out in Part A of this Announcement.

## **ENTITLEMENTS OF CHB SHAREHOLDERS**

Upon the Partial Offer becoming unconditional, each CHB Shareholder:

- (a) will receive a payment of HK\$35.69 in cash for every CHB Share in respect of which that CHB Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (less the seller's ad valorem stamp duty arising therefrom);
- (b) will receive a special interim dividend of HK\$4.5195 in cash for every CHB Share which that CHB Shareholder holds as at the Record Date (if the CHB Special Dividend is declared and becomes unconditional), whether or not that CHB Shareholder accepts the Partial Offer and, if he does, whether or not all of his CHB Shares are taken up by the Offeror under the Partial Offer; and
- (c) will have the opportunity of retaining an interest in CHB going forward which it is intended will maintain its listing on the Stock Exchange.

## **COMMITMENT BY LCHI AND ALBA TO ACCEPT THE PARTIAL OFFER UNDER THE LCHI IRREVOCABLE UNDERTAKING**

On 25 October 2013, the Offeror, LCHI, LCH Estate, L. Holdings and Alba entered into the LCHI Irrevocable Undertaking under which LCHI has agreed to procure LCH Estate to accept, and LCH Estate has agreed to accept, the Partial Offer in respect of all of the 218,359,628 CHB Shares owned by LCH Estate (such shares representing approximately 50.20 per cent. of the issued share capital of CHB) and Alba has agreed to accept the Partial Offer in respect of all of the 2,263,211 CHB Shares owned by Alba (such shares representing approximately 0.52 per cent. of the issued share capital of CHB). The IU Commitment is conditional on approval by LCHI Shareholders.

The IU Commitment constitutes a very substantial disposal for LCHI under the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Further details of the LCHI Irrevocable Undertaking are set out in Part B of this Announcement.

## **THE PROPERTY AGREEMENT**

On 25 October 2013, CHB entered into the Property Agreement with LCHI, a controlling shareholder of CHB, for the Property Transfer and the Lease. Completion of the Property Transfer is conditional upon the receipt by LCH Estate of payment in full of the consideration for the LCH Estate IU Shares taken up by the Offeror in accordance with the terms of the Partial Offer.

The Property Transfer constitutes a discloseable transaction of CHB under the Listing Rules and is therefore subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

As LCHI is a controlling shareholder of CHB, LCHI is a connected person of CHB. The Property Agreement therefore constitutes a connected transaction (in respect of the Property Transfer) and a continuing connected transaction (in respect of the Lease) of CHB. For CHB, the Property Transfer is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, and the Lease is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules as long as LCHI remains a connected person of CHB.

The Property Agreement constitutes a special deal in relation to the Partial Offer under Rule 25 of the Code. An application will be made by CHB to the Executive for consent to proceed with the Property Agreement. Such consent, if granted, will be subject to (i) the opinion of the CHB Independent Financial Adviser that the terms of the Property Agreement are fair and reasonable; and (ii) the approval of the Property Agreement by the Independent CHB Shareholders by way of poll at the CHB EGM.

The Property Transfer constitutes a major transaction of LCHI under the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. Since the term of the Lease will not commence until completion of the Property Transfer, the Lease will in effect be subject to the approval by the LCHI Shareholders.

Further details of the Property Agreement are set out in Part C of this Announcement.

### **CHB SPECIAL DIVIDEND**

Conditional on completion of the Property Transfer, CHB intends to distribute the proceeds of the Property Transfer less the unaudited carrying value of the Property as at 30 June 2013 (such unaudited carrying value being approximately HK\$264 million) by way of a special cash dividend of HK\$4.5195 per CHB Share to all CHB Shareholders registered as such on the Record Date.

Further details of the CHB Special Dividend are set out in Part D of this Announcement.

### **GENERAL**

#### ***Composite Document***

It is expected that the Composite Document containing, amongst other things, (i) the full terms and details of the Partial Offer; (ii) the recommendation from the CHB Code Independent Board Committee in respect of the Partial Offer and the Property Agreement; (iii) the letter from the CHB Independent Financial Adviser in respect of the Partial Offer and the Property Agreement; (iv) the Form of Acceptance, will be despatched to the CHB Shareholders within seven days after the satisfaction of the Pre-Condition. The Offeror has applied to the Executive for a consent under Rule 8.2 of the Code to permit the Composite Document to be posted within the timeframe described above.

### ***CHB EGM***

The CHB EGM will be held for the purpose of considering and, if thought fit, approving the Property Agreement by the Independent CHB Shareholders by way of poll. Any CHB Shareholders who are involved in or interested in the Property Agreement and their respective associates (as defined in the Listing Rules) and any persons acting in concert with any CHB Shareholders who are involved in or interested in the Property Agreement are required to abstain from voting on the relevant resolution at the CHB EGM. Other than Dr. Liu Lit Mo, Mr. Liu Lit Chi, LCH Estate, Alba and BTMU and their respective associates (as defined in the Listing Rules) and any persons acting in concert with any of them, none of the CHB Shareholders (including Bauhinia) is required to abstain from voting on the relevant resolution at the CHB EGM. (By virtue of a shareholders' agreement between LCH Estate and BTMU in relation to CHB dated 20 May 1994, BTMU is regarded as a person acting in concert with LCH Estate in connection with CHB. On this basis, BTMU, which holds approximately 9.66% of the CHB Shares, is required to abstain from voting on the relevant resolution at the CHB EGM.) Bauhinia, which holds 20 per cent. of the CHB Shares, has undertaken to CHB that it will vote in favour of such resolution.

It is expected that the CHB Circular containing, among other things, (i) information on the Property Agreement; (ii) a letter of advice from the CHB LR Independent Board Committee to the Independent CHB Shareholders in relation to the Property Agreement; (iii) a letter of advice from the CHB Independent Financial Adviser to the CHB LR Independent Board Committee in relation to, among other things, the Property Agreement (iv) the independent valuation report on the Property; and (v) a notice convening the CHB EGM will be despatched to the CHB Shareholders on or before 15 November 2013.

### ***LCHI EGM***

The LCHI EGM will be held for the purpose of considering and, if thought fit, approving the IU Commitment and the Property Agreement by the LCHI Shareholders by way of poll. Each of L. Holdings and Alba, as a LCHI Shareholder, has irrevocably undertaken under the LCHI Irrevocable Undertaking to exercise its voting rights in respect of all of the LCHI Shares held by it to vote in favour of the resolutions at the LCHI EGM to approve the IU Commitment and the Property Agreement. LCHI Shareholders who have a material interest in the IU Commitment and the Property Agreement and their respective associates (as defined in the Listing Rules) are required to abstain from voting on the relevant

resolutions at the LCHI EGM. None of the LCHI Shareholders (including L. Holdings and Alba) is required to abstain from voting on the relevant resolutions at the LCHI EGM.

It is expected that the LCHI Circular containing, among other things, (i) information on the IU Commitment and the Property Agreement; (ii) the independent valuation report on the Property; (iii) financial information of the CHB Group; (iv) unaudited pro forma financial information of the LCHI Group; and (v) a notice convening the LCHI EGM will be despatched to the LCHI Shareholders on or before 15 November 2013.

#### ***CHB Independent Board Committees***

The CHB LR Independent Board Committee has been established to consider the terms of the Property Agreement and to advise the Independent CHB Shareholders on whether the Property Agreement is in the interests of CHB and the CHB Shareholders as a whole and whether the terms of the Property Agreement are on normal commercial terms and are fair and reasonable so far as the Independent CHB Shareholders are concerned. The CHB LR Independent Board Committee comprises all the independent non-executive CHB Directors.

The CHB Code Independent Board Committee has been established for the purpose of making a recommendation to (i) the Independent CHB Shareholders as to whether the terms of the Property Agreement are fair and reasonable and the voting action that should be taken; and (ii) the Qualifying CHB Shareholders as to whether the Partial Offer is fair and reasonable and as to acceptance. The CHB Code Independent Board Committee comprises all the non-executive CHB Directors (other than Mr. Christopher Kwun Shing Liu) and all the independent non-executive CHB Directors. Mr. Christopher Kwun Shing Liu, being an executive director of LCHI, is considered to be materially interested in the Property Agreement and is therefore excluded from the CHB Code Independent Board Committee.

#### ***CHB Independent Financial Adviser***

CHB has appointed Somerley Limited as the CHB Independent Financial Adviser to advise the CHB Independent Board Committees in relation to the Partial Offer and the Property Agreement. Such appointment has been approved by the CHB Independent Board Committees.

*Suspension and resumption of trading in the CHB Shares and the LCHI Shares*

At the request of CHB, trading in the CHB Shares and debt securities of CHB on the Stock Exchange has been suspended with effect from 9:00 a.m. on 24 October 2013 pending the release of this Announcement. Application has been made by CHB to the Stock Exchange for resumption of trading in the CHB Shares and debt securities of CHB with effect from 9:00 a.m. on 28 October 2013.

At the request of LCHI, trading in the LCHI Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 24 October 2013 pending the release of this Announcement. Application has been made by LCHI to the Stock Exchange for resumption of trading in the LCHI Shares with effect from 9:00 a.m. on 28 October 2013.

**WARNING: AS THE MAKING OF THE PARTIAL OFFER IS SUBJECT TO THE SATISFACTION OF THE PRE-CONDITION, BEING THE GRANTING OF THE APPROVAL BY THE HKMA FOR 廣州越秀集團有限公司 (GUANGZHOU YUE XIU HOLDINGS LIMITED\*) YUEXIU AND THE OFFEROR TO BECOME A MAJORITY SHAREHOLDER CONTROLLER OF CHB UNDER THE BANKING ORDINANCE (CHAPTER 155 OF THE LAWS OF HONG KONG), THE PARTIAL OFFER IS A POSSIBILITY ONLY AND MAY OR MAY NOT BE MADE. IT DEPENDS ON THE SATISFACTION OF THE PRE-CONDITION. ACCORDINGLY, LCHI SHAREHOLDERS, CHB SHAREHOLDERS AND PROSPECTIVE INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF LCHI OR OF CHB.**

**COMPLETION OF THE PARTIAL OFFER IS SUBJECT TO THE CONDITIONS BEING FULFILLED. ACCORDINGLY, THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE PARTIAL OFFER WILL BE COMPLETED. THE DISPOSAL OF ANY CHB SHARES BY LCHI UNDER THE PARTIAL OFFER AND THE TRANSACTIONS CONTEMPLATED BY THE PROPERTY AGREEMENT MAY OR MAY NOT PROCEED. LCHI SHAREHOLDERS, CHB SHAREHOLDERS AND PROSPECTIVE INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF LCHI OR OF CHB.**

Reference is made to the announcements jointly issued by LCHI and CHB dated 7, 8 and 27 August 2013, 9 and 16 September 2013, 8 and 24 October 2013.

## **PART A: THE PARTIAL OFFER**

Yuexiu, the Offeror and CHB jointly announce that Nomura, on behalf of the Offeror, firmly intends, subject to the satisfaction of the Pre-Condition, to make a voluntary conditional cash partial offer to acquire a maximum of 326,250,000 CHB Shares (representing 75 per cent. of the CHB Shares in issue as at the date of this Announcement) from the Qualifying CHB Shareholders on the following basis:

For each CHB Share ..... HK\$35.69 in cash

The Partial Offer is made in compliance with the Code.

### **1. Pre-Condition to the Partial Offer**

The making of the Partial Offer is subject to the satisfaction of the Pre-Condition, being the granting of the approval by the HKMA for 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited\*), Yuexiu and the Offeror to become a majority shareholder controller of CHB under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

The Pre-Condition may not be waived by the Offeror. If the Pre-Condition is not satisfied on or before the Long Stop Date, the Partial Offer will not be made.

The Offeror will issue a further announcement as soon as practicable after the Pre-Condition has been satisfied.

**WARNING: The Pre-Condition must be satisfied before the making of the Partial Offer. The making of the Partial Offer is therefore a possibility only. Accordingly, LCHI Shareholders, CHB Shareholders and prospective investors are advised to exercise caution when dealing in the securities of LCHI or of CHB.**

### **2. Conditions of the Partial Offer**

The Partial Offer is subject to the fulfilment of the following Conditions:

- (a) valid acceptances of the Partial Offer being received in respect of a minimum of 217,500,001 CHB Shares (representing 50 per cent. of the CHB Shares in issue as at the date of this Announcement plus one CHB Share) by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve), provided that the Offeror shall purchase as many CHB Shares as are tendered by Qualifying CHB Shareholders up to a maximum of 326,250,000 CHB Shares (representing 75 per cent. of the CHB Shares in issue as at the date of this Announcement);



- (b) consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Code;
- (c) consent from the Executive in respect of the Property Agreement as a special deal in relation to the Partial Offer;
- (d) approval by the LCHI Shareholders of the IU Commitment and the Property Agreement in accordance with the Listing Rules; and
- (e) approval by the Independent CHB Shareholders of the Property Agreement in accordance with the Listing Rules and the Code.

None of the Conditions may be waived by the Offeror.

In the event that valid acceptances are received:

- for less than 217,500,001 CHB Shares by the First Closing Date, unless the First Closing Date is extended in accordance with the Code, the Partial Offer will not proceed and will lapse immediately;
- for not less than 217,500,001 CHB Shares on or before the First Closing Date, the Offeror will declare the Partial Offer unconditional as to acceptances on or before the First Closing Date.

Pursuant to Rule 15.3 of the Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Accordingly, if the Partial Offer is declared unconditional in all respects on or before the 7th day after the posting of the Composite Document, then the Final Closing Date would be on (but no earlier than) the First Closing Date. If the Partial Offer is declared unconditional in all respects later than the 7th day after the posting of the Composite Document, then the Final Closing Date would be at least 14 days after the date of such declaration.

Pursuant to Rule 28.4 of the Code, if the Partial Offer has been declared unconditional as to acceptances on the First Closing Date, the Offeror cannot extend the Final Closing Date to a day beyond the 14th day after the First Closing Date.

Under Rule 28.5 of the Code, a partial offer which could result in the offeror holding 30 per cent. or more of the voting rights of a company must normally be conditional on the approval by shareholders holding over 50 per cent. of the voting rights not held by the offeror and its parties acting in concert with it by means of signifying their approval on a separate box on the form of acceptance. The Offeror has applied for, and the Executive has indicated that it will grant, a waiver from this requirement on the basis that: (i) LCH Estate, holding greater than 50 per cent. of the voting rights of CHB, indicates its approval under Rule 28.5 (which it hereby does); and (ii) LCH Estate confirms that it is not acting in concert with the Offeror (which it hereby does). Accordingly, the Partial Offer is not conditional upon satisfaction of the requirement under Rule 28.5 of the Code.

**WARNING: The Partial Offer may or may not become unconditional and will lapse if it does not become unconditional. Completion of the Partial Offer is therefore a possibility only. LCHI Shareholders, CHB Shareholders and prospective investors are advised to exercise caution when dealing in the securities of LCHI or of CHB.**

### **3. Offer Price**

The Offer Price of HK\$35.69 per CHB Share under the Partial Offer represents:

- (a) a premium of approximately 59.0 per cent. over the closing price of HK\$22.45 per CHB Share as quoted on the Stock Exchange on 6 August 2013, being one day immediately prior to the announcement of 7 August 2013 issued jointly by LCHI and CHB in response to media reports regarding a possible disposal of interests in CHB;
- (b) a premium of approximately 43.7 per cent. over the average closing price of HK\$24.84 per CHB Share, being the average closing price of CHB Shares as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Date;
- (c) a premium of approximately 34.4 per cent. over the average closing price of HK\$26.56 per CHB Share, being the average closing price of CHB Shares as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Date;

- (d) a premium of approximately 21.2 per cent. over the average closing price of HK\$29.46 per CHB Share, being the average closing price of CHB Shares as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date;
- (e) a premium of approximately 8.5 per cent. over the average closing price of HK\$32.90 per CHB Share, being the average closing price of CHB Shares as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date;
- (f) a premium of approximately 3.5 per cent. over the average closing price of HK\$34.47 per CHB Share, being the average closing price of CHB Shares as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Date;
- (g) a premium of approximately 1.0 per cent. over the average closing price of HK\$35.34 per CHB Share, being the average closing price of CHB Shares as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Date; and
- (h) a discount of approximately 4.6 per cent. to the closing price of HK\$37.40 per CHB Share as quoted on the Stock Exchange on the Last Trading Date.

#### **4. Highest and lowest closing prices of CHB Shares**

During the six-month period preceding the Last Trading Date, the highest closing price of CHB Shares as quoted on the Stock Exchange was HK\$37.40 per CHB Share on 23 October 2013, and the lowest closing price of CHB Shares as quoted on the Stock Exchange was HK\$18.42 per CHB Share on 23 May 2013.

#### **5. Total consideration under the Partial Offer**

As at the date of this Announcement, there are 435,000,000 CHB Shares in issue. The Partial Offer, based on the Offer Price of HK\$35.69 per CHB Share, is valued at: (i) approximately HK\$7,763 million assuming valid acceptances of the Partial Offer are received in respect of 217,500,001 CHB Shares; and (ii) approximately HK\$11,644 million assuming valid acceptances of the Partial Offer are received in respect of 326,250,000 CHB Shares. On the basis of the Offer Price of HK\$35.69 per CHB Share, the entire issued share capital of CHB is valued at approximately HK\$15,525 million.

As at the date of this Announcement, CHB does not have in issue any outstanding options, warrants, derivatives or securities that carry a right to subscribe for or which are convertible into CHB Shares.

## **6. Information on Yuexiu and the Offeror**

The Offeror is an investment holding company incorporated in Hong Kong with limited liability, which is wholly owned by Yuexiu, a limited company incorporated in Hong Kong and a wholly owned subsidiary of 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited\*), which is a limited liability company incorporated in the PRC beneficially wholly owned by the GMPG. Yuexiu is the principal investment vehicle of GMPG in Hong Kong and is principally engaged in three core businesses: real estate business, transport and infrastructure businesses and finance and securities businesses. The principal business activity of the Offeror is the holding of its investment to be made in CHB.

## **7. Offeror's reasons for the Partial Offer**

Hong Kong is an important international financial centre and is one of the largest banking centres in the world. Hong Kong is known for its international and developed banking industry which is supported by a well-developed common-law based legal system. In recent years, there has been growing demand for PRC mainland-Hong Kong cross-border financial services which has led to the integration of financial institutions in the PRC and in Hong Kong. The Offeror believes that this trend is mainly driven by factors such as greater cooperation between Hong Kong and the PRC's economy, the internationalisation of the Renminbi, and Hong Kong's development as an offshore Renminbi centre.

廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited\*) is one of the largest State-Owned Enterprises in Guangzhou in terms of total assets. Since its establishment in 1985 in Hong Kong, Yuexiu has principally engaged in three core businesses: real estate business, transport and infrastructure businesses and finance and securities businesses. Yuexiu and the Offeror are of the view that CHB has developed well in the past 65 years and its extensive range of financial services and products, quality credit assets and sound corporate governance have allowed it to become a reputable brand in the Hong Kong banking industry. Yuexiu and the Offeror believe that CHB represents an important opportunity to

further develop Yuexiu group's financial services expertise and the Partial Offer will enable them to take advantage of CHB's financial services licences, customer network, comprehensive portfolio of products and listing status to further develop its financial services platform in Hong Kong and elsewhere. The Offeror's directors believe that the acquisition of CHB would help Yuexiu to enhance its recognition in the market, and build its market position as an integrated financial service provider in the Pearl River Delta Region. Yuexiu's directors also believe that a successful integration of CHB into the Yuexiu group would serve as an important milestone for future financial cooperation between enterprises in the Guangdong province in the PRC and Hong Kong.

## **8. INTENTIONS OF THE OFFEROR WITH REGARD TO CHB**

The Offeror is committed to the stability of CHB's business and operations after closing of the Partial Offer. Given CHB's strong and established brand in Hong Kong, it is the Offeror's intention to maintain the branding and the name of "Chong Hing", "創興" and "创兴" for a certain period of time to benefit from the strong reputation that CHB has developed in the Hong Kong market over the past 65 years, and its strong and stable clientele. At the same time, with the support of the Closer Economic Partnership Arrangement between the PRC and Hong Kong, the Offeror will fully utilise its customer resources in the PRC market to enhance its business in the PRC market.

It is expected that there will be changes in the board composition of CHB at or after the earliest time permitted under the Code or by the SFC. Any such changes will only take effect in accordance with the applicable laws and regulations including the Code and the Listing Rules and in compliance with any requirements of the HKMA and any other relevant authorities.

While it is the Offeror's intention that the dividend policy of CHB will remain unchanged after closing of the Partial Offer, any dividends will be determined by the then CHB Directors according to the then prevailing circumstances taking into account CHB's operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditures and future development requirements, the requirements of the HKMA, if applicable, the CHB Shareholders' interests and other factors which they may deem relevant at such time. Any future declarations of dividends after closing of the Partial Offer may or may not reflect CHB's historical declarations of dividends and will be at the absolute discretion of the then CHB Directors. There is no assurance that dividends of any amount will be declared or distributed in any year.

After closing of the Partial Offer, Yuexiu and the Offeror will further review the businesses of CHB, and determine what changes, if any, would be necessary, appropriate or desirable, long term and short term, in order to best organise and optimise the businesses and operations of CHB and to integrate the same within the Yuexiu group. The Offeror intends to maintain the listing status of CHB following closing of the Partial Offer and expects CHB to continue to be subject to supervision and guidance from the HKMA, the SFC and the Stock Exchange.

Following closing of the Partial Offer, the Offeror wishes to explore its options and make its decision with regard the location of the head office of CHB, but this may take some time to implement. The Offeror will therefore need to retain the head office of CHB at the Property for at least a transitional period after the closing of the Partial Offer. The Property is currently occupied by LCHI and CHB (and their respective subsidiaries). As a result of the Lease, a tenancy will be secured for the Property (other than those parts which are intended to be occupied by the LCHI Group) upon completion of the Property Transfer.

The Offeror has committed that for a period of 24 months from the Final Closing Date, CHB will: (i) not terminate the employment of any persons who are employees (excluding employees stationed or working in the U.S. branch) of CHB as at the Final Closing Date (each an “**Employee**”) save where (a) CHB has grounds to dismiss an Employee without notice pursuant to section 9 of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong); (b) an Employee is in material breach of any term of his or her employment contract with CHB; or (c) an Employee is terminated by reason of retirement; (ii) ensure that employee benefits for all Employees (whether or not they form part of the terms of the Employees’ employment) will, in material respects, continue to be no less favourable to the Employees than they were immediately prior to the Final Closing Date in general; and (iii) honour the terms of each Employee’s employment contract, including any extensions of employment contracts which have been entered into between CHB and any Employee before the date of the LCHI Irrevocable Undertaking, even where that Employee has passed normal retirement age.

The Offeror has committed that for a period of 12 months from the Final Closing Date, CHB will not: (a) allot, issue, offer to allot or issue, grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any share in CHB or any interests therein or any securities convertible into any such shares or interests (save pursuant to any obligations existing before the Final Closing Date, and save for any issue of

share options pursuant to any share option scheme adopted by CHB and any issue of CHB Shares pursuant to exercise of any share options) (“**Share Issue**”); or (b) announce any intention to enter into or effect any such transaction described in (a) above in this paragraph, unless (i) such Share Issue is required by the HKMA or it is reasonably expected by the Offeror or CHB that such Share Issue would be required by the HKMA within the 12-month period or would otherwise be necessary for complying with such requirement or the rules, guidance and requirements of the HKMA; and (ii) no alternative means of satisfying such requirement or the rules, guidance and requirements of the HKMA are available.

Subject to the statements relating to employees and the future raising of capital as set out above, the Offeror reserves the right to make any changes that it deems necessary or appropriate to the CHB’s businesses and operations to generate maximum synergy and optimize the business and operations of CHB and to best integrate the same within the Yuexiu group.

The Offeror intends to maintain the listing status of CHB following closing of the Partial Offer. Upon closing of the Partial Offer, CHB may continue to have one or more substantial shareholders (in addition to the Offeror), depending on the extent to which the Partial Offer is accepted by the substantial shareholders of CHB. Since substantial shareholders of CHB are connected persons of CHB under the Listing Rules, their CHB Shares will not be regarded as part of the public float for the purposes of CHB’s compliance with the public float requirement under Rule 8.08 of the Listing Rules. In other words, if after LCH Estate ceases to be a substantial shareholder and a connected person of CHB after closing of the Partial Offer pursuant to the LCHI Irrevocable Undertaking (as disclosed in the section headed “Listing status of CHB” of Part B of this Announcement), the number of CHB Shares held by the public after closing of the Partial Offer still represents less than 25% of the CHB Shares, the Offeror will, after closing of the Partial Offer, take appropriate steps to ensure that not less than 25% of the CHB Shares will be held by the public in compliance with the Listing Rules, which may include the Offeror or another connected person of CHB selling some of its CHB Shares.

If less than 25% of the CHB Shares are held by the public or if the Stock Exchange believes (i) that a false market exists or may exist in the trading of CHB Shares or (ii) that there are insufficient CHB Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend trading in CHB Shares.

## 9. Other terms of the Partial Offer

Qualifying CHB Shareholders may accept the Partial Offer in respect of some or all of the CHB Shares held by them. Subject to the Partial Offer becoming unconditional in all respects: (i) if valid acceptances are received for 326,250,000 or fewer CHB Shares, all CHB Shares validly accepted will be taken up; and (ii) if valid acceptances are received for more than 326,250,000 CHB Shares, the total number of CHB Shares to be taken up by the Offeror from each Qualifying CHB Shareholder will be determined in accordance with the following formula:

$$\frac{A}{B} \times C$$

- A: 326,250,000 CHB Shares (being the maximum number of CHB Shares for which the Partial Offer is made)
- B: the total number of CHB Shares tendered by all Qualifying CHB Shareholders under the Partial Offer
- C: the number of CHB Shares tendered by the relevant individual Qualifying CHB Shareholder under the Partial Offer

As a result, it is possible that if a Qualifying CHB Shareholder tenders all his/her CHB Shares for acceptance under the Partial Offer, not all of such CHB Shares will be taken up. Qualifying CHB Shareholders can, however, be assured that, in the event the Partial Offer becomes unconditional in all respects, a minimum of 75 per cent. of the CHB Shares tendered for acceptance under the Partial Offer will be taken up.

Fractions of CHB Shares will not be taken up under the Partial Offer and, accordingly, the number of CHB Shares that the Offeror will take up from each Qualifying CHB Shareholder in accordance with the above formula will be rounded up or down to the nearest whole number at the discretion of the Offeror.

The full terms and conditions of the Partial Offer will be set out in the Composite Document and the Form of Acceptance.



## **10. Effect of accepting the Partial Offer**

By validly accepting the Partial Offer, Qualifying CHB Shareholders will sell to the Offeror their tendered CHB Shares which are finally taken up by the Offeror in accordance with the above formula free from all encumbrances and together with all rights and benefits at any time accruing and attaching thereto including all rights to any dividend or other distributions declared, made or paid on or after the Final Closing Date (excluding the CHB Special Dividend). The Offeror will not be entitled to any dividends or other distributions declared, made or paid before the Final Closing Date, including the CHB Special Dividend, in respect of the CHB Shares which are taken up by the Offeror under the Partial Offer. Any such dividends or other distributions will be paid to the CHB Shareholders who are qualified for such dividends or distributions.

## **11. Irrevocable undertakings**

As at the date of this Announcement, Yuexiu has received an irrevocable undertaking from each of LCH Estate and LCHI (which holds the LCH Estate IU Shares through LCH Estate) and Alba to tender, or procure the tender of, all of the CHB Shares held directly or indirectly by it (being 218,359,628 CHB Shares (representing 50.20% of the CHB Shares in issue as at the date of this Announcement) in the case of LCH Estate and LCHI and 2,263,211 CHB Shares (representing 0.52% of the CHB Shares in issue as at the date of this Announcement) in the case of Alba) for acceptance under the Partial Offer.

Further information on the LCHI Irrevocable Undertaking is set out in Part B of this Announcement.

As at the date of this Announcement, apart from the LCHI Irrevocable Undertaking, the Offeror has not received any indication or irrevocable commitment from any CHB Shareholder to accept or reject the Partial Offer.

## **12. Confirmation of financial resources**

Assuming full acceptance of the Partial Offer in respect of 326,250,000 CHB Shares, the financial resources required by the Offeror to satisfy its obligations under the Partial Offer will amount to approximately HK\$11,644 million. The funds required by the Offeror to satisfy the consideration of the Partial Offer will be financed from internal resources of Yuexiu and a loan facility. Nomura, financial adviser to the Offeror, is satisfied that sufficient financial resources are, and will remain, available to the Offeror and Yuexiu to satisfy full acceptance of the Partial Offer in respect of 326,250,000 CHB Shares.

### **13. Inducement Fee**

On 25 October 2013, CHB and Yuexiu entered into the Deed of Agreement under which:

- (a) Yuexiu has agreed to pay CHB the sum of HK\$100 million by way of compensation for any failure of the Partial Offer if:
  - (i) any PRC law, rule, regulation, governmental or regulatory body prevents the Offeror from completing the Partial Offer or from paying the Offer Price to accepting CHB Shareholders pursuant to the terms of the Partial Offer; or
  - (ii) the Partial Offer fails to complete as a result of (1) the Pre-Condition not being fulfilled by the Long Stop Date, or (2) the HKMA issuing a notice of objection under Section 70 of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), objecting to 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited\*), Yuexiu or the Offeror becoming a majority shareholder controller of CHB under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong); and
- (b) CHB has agreed to pay Yuexiu the sum of HK\$100 million by way of compensation for any failure of the Partial Offer if the Partial Offer fails to complete as a result of either of the conditions set out in paragraphs 2(d) and 2(e) of Part A of this Announcement not being fulfilled.

### **14. Hong Kong stamp duty**

Seller's ad valorem stamp duty at the rate of 0.1 per cent. of the value of the consideration arising on acceptance of the Partial Offer will be payable by the Qualifying CHB Shareholders who accept the Partial Offer. The relevant amount of stamp duty payable by the Qualifying CHB Shareholders will be deducted from the consideration payable to the Qualifying CHB Shareholders under the Partial Offer. The Offeror will bear its own portion of buyer's ad valorem stamp duty at the rate of 0.1 per cent. of the consideration payable in respect of acceptances of the Partial Offer and will be responsible to account to the Stamp Office of Hong Kong for all the stamp duty payable for the sale and purchase of the CHB Shares which are validly tendered for acceptance under the Partial Offer.

## **15. Overseas shareholders**

The making of the Partial Offer to Qualifying CHB Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong may be subject to the laws of the relevant jurisdictions. Such Qualifying CHB Shareholders may be prohibited or affected by the laws of the relevant jurisdictions and it is the responsibility of each such Qualifying CHB Shareholder who wishes to accept the Partial Offer to satisfy himself/herself/itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents, or filing and registration requirements which may be required to comply with all necessary formalities or legal or regulatory requirements and the payment of any transfer or other taxes due from such Qualifying CHB Shareholder in such relevant jurisdictions.

**Any acceptance by any Qualifying CHB Shareholder will be deemed to constitute a representation and warranty from such Qualifying CHB Shareholder to the Offeror and CHB that all local laws and requirements have been complied with and that the Partial Offer can be accepted by such Qualifying CHB Shareholder lawfully under the laws of the relevant jurisdiction. Qualifying CHB Shareholders should consult their professional advisers if in doubt.**

In the event that the despatch of the Composite Document to overseas Qualifying CHB Shareholders is prohibited by any relevant law or may only be effected after compliance with conditions or requirements that are unduly burdensome, subject to the Executive's waivers, the Composite Document will not be despatched to such overseas Qualifying CHB Shareholders. The Offeror will apply for such waivers as may be required by the Executive pursuant to Note 3 to Rule 8 of the Code at such time.

## **16. Settlement of consideration**

Settlement of the consideration under the Partial Offer will be made as soon as possible, but in any event within seven business days (as defined in the Code) of the Final Closing Date.

## **17. Odd lots**

Qualifying CHB Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of CHB Shares. Accordingly, it is intended that a designated broker will be appointed by the Offeror to match sales and purchases of odd lot holdings of CHB Shares in the market for a reasonable time

period following the closing of the Partial Offer to enable such Qualifying CHB Shareholders to dispose of their odd lots or to top up their odd lots to whole board lots. Details of such arrangement will be disclosed in the Composite Document.

## **18. Interests in CHB Shares and derivatives**

As at the date of this Announcement:

- (i) there is no existing holding of voting rights and rights over CHB Shares which the Offeror owns or over which it has control or direction;
- (ii) there is no existing holding of voting rights and rights over CHB Shares which is owned or controlled or directed by any person acting in concert with the Offeror;
- (iii) there is no existing holding of voting rights and rights over CHB Shares in respect of which the Offeror or any person acting in concert with it holds convertible securities, warrants or options;
- (iv) there is no outstanding derivative in respect of securities in CHB entered into by the Offeror or any person acting in concert with it;
- (v) save for the LCHI Irrevocable Undertaking and the undertaking from Bauhinia to CHB to vote in favour of the relevant resolution approving the Property Agreement at the CHB EGM, there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the CHB Shares and which might be material to the Partial Offer;
- (vi) save for the LCHI Irrevocable Undertaking and the Deed of Agreement, there is no agreement or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke the Pre-Condition or a Condition; and
- (vii) there are no relevant securities (as defined in Note 4 to Rule 22 of the Code) in CHB which the Offeror or any person acting in concert with it has borrowed or lent.

The Offeror has not and no party acting in concert with it has acquired any CHB Share during the six months prior to the commencement of the Offer Period, that is, prior to 8 August 2013, being the date of the first joint announcement made by CHB and LCHI pursuant to Rule 3.7 of the Code.

## 19. EFFECT OF THE PARTIAL OFFER ON THE SHAREHOLDING STRUCTURE OF CHB

Set out below is the shareholding structure of CHB as at the date of this Announcement and immediately upon closing of the Partial Offer (i) assuming that only CHB Shares subject to the LCHI Irrevocable Undertaking (being 220,622,839 CHB Shares) are tendered for acceptance under the Partial Offer; and (ii) assuming that all Qualifying CHB Shareholders tender all of their CHB Shares for acceptance under the Partial Offer:

	As at the date of this Announcement		Upon the closing of the Partial Offer (assuming only CHB Shares subject to the LCHI Irrevocable Undertaking are tendered for acceptance)		Upon the closing of the Partial Offer (assuming all Qualifying CHB Shareholders tender all of their CHB Shares for acceptance)	
	<i>Number of CHB Shares</i>	<i>Approx. %</i>	<i>Number of CHB Shares</i>	<i>Approx. %</i>	<i>Number of CHB Shares</i>	<i>Approx. %</i>
LCHI ( <i>Notes 1, 5</i> )	218,359,628	50.20	0	0	54,589,907	12.55
Alba	2,263,211	0.52	0	0	565,803 ( <i>Note 4</i> )	0.13
Bauhinia ( <i>Note 2</i> )	87,000,000	20.00	87,000,000	20.00	21,750,000	5.00
Yuexiu, the Offeror and parties acting in concert with either of them	0	0	220,622,839	50.72	326,250,000	75.00
CHB Directors ( <i>Note 3</i> )	2,397,494	0.55	2,397,494	0.55	599,374 ( <i>Note 4</i> )	0.14
Public (as defined in the Listing Rules) excluding Bauhinia ( <i>Note 6</i> )	124,979,667	28.73	124,979,667	28.73	31,244,916	7.18
<b>Total</b>	<b><u>435,000,000</u></b>	<b><u>100</u></b>	<b><u>435,000,000</u></b>	<b><u>100</u></b>	<b><u>435,000,000</u></b>	<b><u>100</u></b>

*Notes:*

- (1) Referring to the shareholding in CHB of LCH Estate, which is a wholly owned subsidiary of LCHI.
- (2) Referring to the shareholding in CHB of Bauhinia 97 Limited, which is a wholly owned subsidiary of COSCO (Hong Kong) Group Limited, which is in turn a wholly owned subsidiary of China Ocean Shipping (Group) Company. Bauhinia would cease to be a substantial shareholder of CHB if all Qualifying CHB Shareholders tender all of their CHB Shares for acceptance.

- (3) Referring to the shareholdings in CHB (excluding those through LCHI and Alba) of Dr. Liu Lit Mo (1,002,450 CHB Shares representing 0.23% of CHB Shares in issue as at the date of this Announcement), Mr. Liu Lit Chi (313,248 CHB Shares representing 0.07% of CHB Shares in issue as at the date of this Announcement), Mr. Don Tit Shing Liu (15,000 CHB Shares representing 0.003% of CHB Shares in issue as at the date of this Announcement), Mr. Robin Yau Hing Chan (1,066,400 CHB Shares representing 0.25% of CHB Shares in issue as at the date of this Announcement) and Mr. Timothy George Freshwater (396 CHB Shares representing 0.00009% of CHB Shares in issue as at the date of this Announcement), all of whom are CHB Directors.
- (4) Assuming that the number of CHB Shares to be taken up by the Offeror will be rounded down to the nearest integer.
- (5) Upon closing of the Partial Offer, LCH Estate may maintain a shareholding in CHB of not more than approximately 12.55 per cent. or may cease to hold any CHB Shares. If LCH Estate were to remain a substantial shareholder or a connected person of CHB, its CHB Shares would not be regarded as part of the public float for the purposes of CHB's compliance with the public float requirement under Rule 8.08 of the Listing Rules. Under the LCHI Irrevocable Undertaking, if LCH Estate continues to be a substantial shareholder of CHB by virtue of the remaining CHB Shares held by LCH Estate, or is otherwise deemed to be a connected person (as defined in Chapter 1 of the Listing Rules) of CHB, immediately after the Final Closing Date, L. Holdings and Alba have undertaken to procure LCHI to reduce, and LCHI has agreed to reduce, the residual shareholding of LCH Estate in CHB by way of the LCHI Distribution in Specie or by the taking of such other steps as may be satisfactory to the Stock Exchange so that LCH Estate will cease to be a substantial shareholder and a connected person (as defined in Chapter 1 of the Listing Rules) of CHB for the purpose of CHB's public float requirement under the Listing Rules. The LCHI Distribution in Specie is therefore a possibility only and there is no certainty that it would be declared.
- (6) Upon the closing of the Partial Offer (assuming all Qualifying CHB Shareholders tender all of their CHB Shares for acceptance) Bauhinia's holding of 21,750,000 CHB Shares would also count as being held by the Public (as defined in the Listing Rules) given that Bauhinia's holding would reduce to 5 per cent. of the issued share capital of CHB.

## **20. Composite Document**

It is expected that the Composite Document containing, among other things, (i) the full terms and details of the Partial Offer; (ii) the recommendation from the CHB Code Independent Board Committee in respect of the Partial Offer and the Property Agreement; (iii) the letter from the CHB Independent Financial Adviser in respect of the Partial Offer and the Property Agreement; and (iv) the Form of Acceptance will be despatched to CHB Shareholders within seven days after the satisfaction of the Pre-Condition. The Offeror has applied to the Executive for its consent under Note 2 to Rule 8.2 of the Code to permit the Composite Document to be posted within the timeframe described above.

**PART B: COMMITMENT BY LCHI AND ALBA TO ACCEPT THE PARTIAL OFFER UNDER THE LCHI IRREVOCABLE UNDERTAKING**

**1. Principal Terms of the LCHI Irrevocable Undertaking**

*Date:* 25 October 2013

*Parties:* (1) Yuexiu; (2) LCHI; (3) LCH Estate; (4) L. Holdings; and (5) Alba.

*Irrevocable undertaking to accept the Partial Offer:*

On 25 October 2013, LCHI, LCH Estate, L. Holdings and Alba entered into the LCHI Irrevocable Undertaking with Yuexiu, under which, among other things:

- (i) LCHI and LCH Estate have irrevocably undertaken, jointly and severally, to Yuexiu that the Partial Offer will be accepted by LCH Estate in respect of all of the LCH Estate IU Shares not later than three business days after the Despatch Date and that LCH Estate will not withdraw such acceptance;
- (ii) Alba has irrevocably undertaken to Yuexiu that the Partial Offer will be accepted by Alba in respect of all of the CHB Shares held by it not later than three business days after the Despatch Date and that Alba will not withdraw such acceptance; and
- (iii) each of L. Holdings and Alba, as a shareholder of LCHI, has irrevocably undertaken to exercise its voting rights in respect of all of the LCHI Shares held by it to vote in favour of the resolutions at the LCHI EGM to approve the IU Commitment and the Property Agreement.

*Consideration:*

LCHI and LCH Estate have irrevocably undertaken to Yuexiu that the Partial Offer will be accepted by LCH Estate, and Alba has irrevocably undertaken to Yuexiu that the Partial Offer will be accepted by Alba, in respect of their respective IU Shares at the Offer Price of HK\$35.69 per IU Share. Such acceptance shall not be withdrawn.

If the Partial Offer becomes unconditional in all respects, LCH Estate will, pursuant to the LCHI Irrevocable Undertaking, sell at least 163,769,721 CHB Shares (being 75 per cent. of the LCH Estate IU Shares) and up to 218,359,628 CHB Shares (being all of the LCH Estate IU Shares), depending on the overall acceptances of the Partial Offer. The total consideration for such sale will accordingly be not less than approximately HK\$5,845 million and up to approximately HK\$7,793 million.

***No withdrawal:***

Each of LCH Estate and Alba has irrevocably undertaken that it will not withdraw any acceptance of the Partial Offer in respect of its IU Shares.

***Restrictive covenants:***

Each of LCHI and LCH Estate has undertaken to procure, among others, that until the Final Closing Date, the CHB Group will carry on business in the normal course of business and no member of the CHB Group shall do, undertake or engage in certain restricted activities, other than (a) in connection with the Partial Offer or the various transactions contemplated under this Announcement; (b) as required under laws or regulations or by any regulatory body; or (c) as have been notified to the Offeror in writing specifically on or prior to the date of the LCHI Irrevocable Undertaking. As at the date of the LCHI Undertaking, no such restricted activity has been notified to the Offeror pursuant to paragraph (c) above.

***Non-compete and other undertakings:***

LCHI and LCH Estate have given undertakings (in respect of itself and the members of the LCHI Group (excluding the CHB Group)), among other things, not to be engaged or directly or indirectly interested in carrying on a business of commercial banking and / or general retail banking and / or insurance in Hong Kong, and not to solicit any officers, managers, consultant or employee of the CHB Group, for a period of one year after the Final Closing Date subject to certain limited exceptions.

***Termination:***

The LCHI Irrevocable Undertaking will terminate and the parties' obligations thereunder will cease on the earlier of any of the following occurring:

- (i) if the Partial Offer lapses or is withdrawn in circumstances permitted under the Code; and
- (ii) if the Pre-Condition has not been fulfilled by the Long Stop Date.

**2. Listing status of CHB**

The Offeror intends to maintain the listing status of CHB following closing of the Partial Offer.



The number of LCH Estate's CHB Shares which will be taken up by the Offeror upon closing of the Partial Offer will not be less than 75 per cent., and up to 100 per cent., of the LCH Estate IU Shares depending on the acceptance level of the other Qualifying CHB Shareholders. Upon closing of the Partial Offer, LCH Estate may maintain a shareholding in CHB of not more than approximately 12.55 per cent. or may cease to hold any CHB Shares. If LCH Estate were to remain a substantial shareholder or a connected person of CHB, the CHB Shares held by LCH Estate would not be regarded as part of the public float for the purposes of CHB's compliance with the public float requirement under Rule 8.08 of the Listing Rules. Under the LCHI Irrevocable Undertaking, if LCH Estate continues to be a substantial shareholder by virtue of the remaining CHB Shares held by LCH Estate, or is otherwise deemed to be a connected person (as defined in Chapter 1 of the Listing Rules) of CHB, immediately after the Final Closing Date, L. Holdings and Alba have undertaken to procure LCHI to reduce, and LCHI has agreed to reduce, the residual shareholding of LCH Estate in CHB by way of the LCHI Distribution in Specie or by the taking of such other steps as may be satisfactory to the Stock Exchange so that LCH Estate will cease to be a substantial shareholder and a connected person (as defined in Chapter 1 of the Listing Rules) of CHB for the purpose of CHB's public float requirement under the Listing Rules.

The LCHI Distribution in Specie is therefore a possibility only and there is no certainty that it would be declared.

### **3. Financial effect of the IU Commitment on the LCHI Group**

Assuming that 75 per cent. of the LCH Estate IU Shares are taken up by the Offeror under the Partial Offer, the LCHI Group is expected to record an unaudited gain of approximately HK\$3,020 million based on the book value of 75 per cent. of the LCH Estate IU Shares (such book value being approximately HK\$2,804 million as at 30 June 2013). Assuming that all of the LCH Estate IU Shares are taken up by the Offeror under the Partial Offer, the LCHI Group is expected to record an unaudited gain of approximately HK\$4,032 million based on the book value of all of the LCH Estate IU Shares (such book value being approximately HK\$3,738 million as at 30 June 2013). The actual gain shall be subject to audit.

If the Partial Offer becomes unconditional in all respects, CHB will cease to be a subsidiary of LCHI. Members of the CHB Group will therefore cease to be accounted for and consolidated in the accounts of LCHI as its subsidiaries.

#### **4. Use of proceeds by LCHI**

Assuming that 75 per cent. of the LCH Estate IU Shares are taken up by the Offeror under the Partial Offer, the net proceeds of the sale of 75 per cent. of the LCH Estate IU Shares under the Partial Offer (that is, after deducting stamp duty payable by LCH Estate of approximately HK\$5.8 million and expenses of approximately HK\$15 million arising from such sale) are estimated to be HK\$5,824 million, which will be used to settle the Property Transfer Consideration to repay some of its existing bank borrowings, to pay a possible special dividend (which, for the avoidance of doubt, may or may not be declared and is therefore only a possibility) and as working capital of the LCHI Group. Assuming that all of the LCH Estate IU Shares are taken up by the Offeror under the Partial Offer, the net proceeds of the sale of all of the LCH Estate IU Shares under the Partial Offer (that is, after deducting stamp duty payable by LCH Estate of approximately HK\$7.8 million and expenses of approximately HK\$15 million arising from such sale) are estimated to be HK\$7,770 million, which will be used to settle the Property Transfer Consideration, to repay some of its existing bank borrowings, to pay a possible special dividend (which, for the avoidance of doubt, may or may not be declared and is therefore only a possibility) and as working capital of the LCHI Group.

#### **5. Reasons for agreeing to the IU Commitment**

LCHI has agreed to the IU Commitment after considering various factors including (i) the ability of Yuexiu to bring synergy to the business of CHB in the PRC in light of Yuexiu's background and presence in the Guangdong Province, (ii) the Property Agreement, (iii) the continuity of CHB and retention of its employees and (iv) the fair premium represented by the Offer Price in respect of the LCH Estate IU Shares. Following completion of the Partial Offer, LCHI intends to continue to focus on its core property investment and development activities and at the same time consider other investments opportunities as such opportunities may arise.

The LCHI Directors consider the terms of the IU Commitment to be fair and reasonable and in the interest of LCHI and the LCHI Shareholders as a whole.

#### **6. Compliance with the Listing Rules by LCHI**

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the IU Commitment is more than 75 per cent. for LCHI, the IU Commitment constitutes a very substantial disposal for LCHI under the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules. The approval by the LCHI Shareholders of the IU Commitment is a condition of the Partial Offer as referred to in the section headed "Conditions of the Partial Offer" in Part A of this Announcement.

## **PART C: PROPERTY AGREEMENT**

On 25 October 2013, CHB entered into the Property Agreement with LCHI, a controlling shareholder of CHB, for the Property Transfer and the Lease.

Completion of the Property Transfer is conditional upon the receipt by LCH Estate of payment in full of the consideration for the LCH Estate IU Shares taken up by the Offeror in accordance with the terms of the Partial Offer. Such condition may not be waived without the agreement of both LCHI and CHB. Neither LCHI nor CHB intends to waive such condition. Completion of the Property Transfer shall take place on the day falling three business days after the date on which such condition is satisfied.

### **1. Principal terms of the Property Transfer**

*Parties:* (1) CHB (as vendor); and (2) LCHI (as purchaser).

*Subject matter of the Property Transfer:*

The Property, being Chong Hing Bank Centre at No. 24 Des Voeux Road, Central, Hong Kong, is an office tower with a gross floor area of approximately 108,141 square feet.

*The Property Transfer Consideration:*

The Property Transfer Consideration is HK\$2,230 million, which was determined after arm's length negotiations between the parties with reference to the valuation of HK\$2,230 million as at 25 October 2013 as determined by Vigers Appraisal and Consulting Limited, an independent property valuer. Such valuation report will be included in the CHB Circular and the LCHI Circular.

The Property Transfer Consideration shall be paid in cash by LCHI to CHB at completion of the Property Transfer. The stamp duty in respect of the Property Transfer, which is expected to be approximately HK\$189.6 million, will be borne by LCHI. As disclosed in the paragraph headed "Use of Proceeds by LCHI" of Part B above, it is intended that the payment of the Property Transfer Consideration will be funded by the net proceeds of the sale of the LCH Estate IU Shares under the Partial Offer.

## 2. Principal terms of the Lease

*Parties:* (1) LCHI (as lessor); and (2) CHB (as lessee).

*Subject matter of the Lease:*

LCHI (as lessor) has agreed to lease to CHB (as lessee) ground to 19th floors (both inclusive) and the 26th floor (the designation of 4th, 14th and 24th floors being omitted) of the Property, which are currently used as the head office of CHB.

During the term of the Lease, CHB (as licensee) shall be entitled to use (i) the 27th floor of the Property on even calendar days and (ii) the 28th floor of the Property on odd calendar days.

*Term:*

The Lease will be for a term of five years from completion of the Property Transfer.

Under Rule 14A.35 of the Listing Rules, the period for an agreement in respect of a continuing connected transaction must not exceed 3 years except in special circumstances. Special circumstances are limited to cases where the nature of the transaction requires the contract to be of a duration longer than 3 years.

CHB believes that the nature of the Lease, being a lease of the premises being used for its head office operations, requires the Lease to be of a duration of longer than 3 years because of (i) the difficulty for a bank in securing suitable alternative premises which satisfies the stringent security requirements necessary for the safe operation of a bank upon the expiry of an existing lease; (ii) the difficulty for a bank in securing suitable alternative premises, particularly in the central business district, of a size large enough to accommodate a bank's core operations in one place for operational efficiency upon the expiry of an existing lease; and (iii) the high costs associated with relocating the head office of a bank in view of the specialised and sophisticated information technology infrastructure necessary for its operations.

The CHB Independent Financial Adviser will confirm in the CHB Circular that it is normal business practice for contracts of this type to be of such a duration. A separate announcement of such confirmation by the CHB Independent Financial Adviser will be made by CHB.

***Monthly rent:***

The monthly rent payable under the Lease during its term will be HK\$5,660,000, which is exclusive of service charge, government rent and rates and outgoings of a non-capital and recurring nature.

The rent was determined after arm's length negotiations between the parties with reference to the location and condition of the Property and the current market rent. CHB intends to fund its payment of the rent payable under the Lease by its internal resources.

***Usage of the leased premises:***

CHB will use the leased premises under the Lease as its head office for the operation of its general banking and financial services businesses.

***Option to renew:***

CHB has the option to renew the Lease for a further term of five years.

***Rent during the renewed term:***

If CHB exercises its option to renew the term of the Lease, the monthly rent during the renewed term will be at prevailing open market rent.

***Stamp duty:***

The stamp duty in respect of the Lease will be borne by LCHI and CHB in equal shares.

**3. Annual cap for the Lease**

The CHB Directors estimate, by reference to the fixed monthly rent during the five year term of the Lease, that the annual rentals payable to LCHI under the Lease during its five year term will not exceed HK\$67.92 million.

**4. LCHI's reasons for entering into the Property Agreement**

Property investment is a principal business of the LCHI Group. The Property Transfer and the Lease will therefore be in the ordinary course of the business of the LCHI Group. The Property Transfer represents an opportunity to acquire a prime Central office building which is rare in the current market conditions in Hong Kong. As LCHI will fund the Property Transfer from the proceeds of the

sale of LCH Estate's CHB Shares under the Partial Offer, LCHI will not need to arrange any financing for it. The LCHI Group (through LCH Estate, which holds approximately 50.20% of the CHB Shares) will also receive part of the proceeds of CHB's sale of the Property by way of the CHB Special Dividend.

As disclosed in the paragraph headed "Intentions of the Offeror with regard to CHB" in Part A of this Announcement, following closing of the Partial Offer, the Offeror wishes to explore its options and make its decision with regard to the location of the head office of CHB, but this may take some time to implement. The Offeror will therefore need to retain the head office of CHB at the Property for at least a transitional period after the closing of the Partial Offer. The Property is currently occupied by LCHI and CHB (and their respective subsidiaries). As a result of the Lease, a tenancy will be secured for the Property (other than those parts which are intended to be occupied by the LCHI Group) upon completion of the Property Transfer.

The terms of the Property Agreement were arrived at after arm's length negotiations. The LCHI Directors consider the terms of the Property Agreement to be fair and reasonable, on normal commercial terms and in the interests of LCHI and the LCHI Shareholders as a whole.

## **5. CHB's reasons for entering into the Property Agreement**

The Property Transfer will allow CHB to realise the value of the Property, being a prime Central office building the ownership of which is not essential for the operation of the business of CHB. All CHB Shareholders will be able to benefit from the Property Transfer through the return of value to CHB Shareholders afforded by the CHB Special Dividend.

The length of the Lease will allow CHB sufficient time to find a suitable location for its head office and provide stability for staff and customers during the transitional period.

The Offeror does not intend to include the Property in the asset base of CHB as (i) the ownership of the Property is not essential for the purpose of running the business of CHB; and (ii) the Offeror may consider alternative larger premises in the future.

The terms of the Property Agreement were arrived at after arm's length negotiations. The CHB Directors (excluding (a) Dr. Liu Lit Mo, Mr. Liu Lit Chi, Mr. Don Tit Shing Liu, Mr. Wilfred Chun Ning Liu and Mr. Christopher Kwun Shing Liu, who (by virtue of their interest in LCHI as shareholders and/or directors and/or as relatives of shareholders and/or directors) have a material

interest in the Property Agreement and have therefore abstained from voting on the board resolutions of CHB in respect of the Property Agreement; and (b) members of the CHB Independent Board Committees, whose views together with the advice of the CHB Independent Financial Adviser will be set out in the CHB Circular) consider the terms of the Property Agreement to be fair and reasonable, on normal commercial terms and in the interests of CHB and the CHB Shareholders as a whole.

## **6. Financial effect of the Property Transfer on the CHB Group**

The unaudited net loss (before taxation and extraordinary items) of CHB attributable to the Property for each of the two years ended 31 December 2011 and 31 December 2012 were approximately HK\$7.2 million and approximately HK\$6.4 million, respectively. The unaudited net loss (after taxation and extraordinary items) of CHB attributable to the Property for each of the two years ended 31 December 2011 and 31 December 2012 were approximately HK\$6.0 million and approximately HK\$5.4 million, respectively. The net losses reflected the fact that a large portion of the Property, which was occupied by CHB, did not generate any rental income during the two years ended 31 December 2011 and 31 December 2012.

On the basis that the unaudited gain of CHB arising from the Property Transfer is equal to the valuation of the Property as at 25 October 2013 of HK\$2,230 million as determined by Vigers Appraisal and Consulting Limited, an independent property valuer, less the unaudited carrying value of the Property as at 30 June 2013 (such unaudited carrying value being approximately HK\$264 million), the unaudited gain of CHB arising from the Property Transfer is approximately HK\$1,966 million.

## **7. Use of proceeds by CHB**

Approximately HK\$1,966 million, being the proceeds from the Property Transfer less the unaudited carrying value of the Property as at 30 June 2013 (such unaudited carrying value being approximately HK\$264 million), will be used by CHB to fund the CHB Special Dividend.

## **8. Compliance with the Listing Rules by LCHI**

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Property Transfer for LCHI is more than 25 per cent. but less than 100 per cent., the Property Transfer constitutes a major transaction of LCHI under the Listing Rules and is therefore subject to the notification, publication and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The approval by the LCHI Shareholders of the Property Transfer is a condition to the Partial Offer as referred to in the section headed “Conditions of the Partial Offer” in Part A of this Announcement. Since the term of the Lease will not commence until completion of the Property Transfer, the Lease will in effect be subject to the approval by the LCHI Shareholders.

## **9. Compliance with the Listing Rules and the Code by CHB**

As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Property Transfer for CHB is more than 5 per cent. but less than 25 per cent., the Property Transfer constitutes a discloseable transaction of CHB under the Listing Rules and is therefore subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

As LCHI is a controlling shareholder of CHB, LCHI is a connected person of CHB. The Property Agreement therefore constitutes a connected transaction (in respect of the Property Transfer) and a continuing connected transaction (in respect of the Lease) of CHB. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Property Transfer for CHB is more than 5 per cent., the Property Transfer is subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratios under Rule 14.07 of the Listing Rules applicable to the annual caps for the Lease will, on an annual basis, be more than 0.1 per cent. but less than 5 per cent., the Lease is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules as long as LCHI remains a connected person of CHB.

As the Property Agreement was entered into during the Offer Period of the Partial Offer and as the benefit of the Property Agreement was not capable of being extended to all CHB Shareholders, the Property Agreement constitutes a special deal in relation to the Partial Offer under Note 4 to Rule 25 of the Code. An application will be made by CHB to the Executive for consent to proceed with the Property Agreement. Such consent, if granted, will be subject to (i) the opinion of the CHB Independent Financial Adviser that the terms of the Property Agreement are fair and reasonable; and (ii) the approval of the Property Agreement by the Independent CHB Shareholders by way of poll at the CHB EGM. The CHB Independent Financial Adviser will state in the CHB Circular its opinion on whether the terms of the Property Agreement are fair and reasonable, on normal commercial terms and in the interests of CHB and the CHB Shareholders as a whole.



The approval by the Independent CHB Shareholders of the Property Agreement is a condition to the Partial Offer as referred to in the section headed “Conditions of the Partial Offer” in Part A of this Announcement.

#### **PART D: CHB SPECIAL DIVIDEND**

Conditional on completion of the Property Transfer, CHB intends to distribute the proceeds of the Property Transfer less the unaudited carrying value of the Property as at 30 June 2013 (such unaudited carrying value being approximately HK\$264 million) by way of the CHB Special Dividend to all CHB Shareholders registered as such on the Record Date on the following basis:

For each CHB Share held ..... HK\$4.5195 in cash.

As the Record Date will be the date immediately prior to the Final Closing Date, (a) CHB Shareholders who accept the Partial Offer will continue to receive the CHB Special Dividend in respect of the CHB Shares held by them on the Record Date, and (b) the Offeror will not be entitled to the CHB Special Dividend in respect of any CHB Shares which are validly accepted and taken up under the Partial Offer. In other words, acceptance of the Partial Offer would not disentitle a CHB Shareholder from receiving the CHB Special Dividend. An announcement will be made by CHB of the date to be fixed for the meeting of the CHB Board at which the CHB Dividend is proposed to be declared.

Any person who purchases CHB Shares intending to become entitled to the CHB Special Dividend is reminded to ensure that his or her name is registered on the register of members of CHB on or before the Record Date.

#### **PART E: ENTITLEMENTS OF CHB SHAREHOLDERS**

Upon the Partial Offer becoming unconditional, each CHB Shareholder:

- (a) will receive a payment of HK\$35.69 in cash for every CHB Share in respect of which that CHB Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (less the seller’s ad valorem stamp duty arising therefrom);
- (b) will receive a special interim dividend of HK\$4.5195 in cash for every CHB Share which that CHB Shareholder holds as at the Record Date (if the CHB Special Dividend is declared and becomes unconditional), whether or not that CHB Shareholder accepts the Partial Offer and, if he does, whether or not all of his CHB Shares are taken up by the Offeror under the Partial Offer; and
- (c) will have the opportunity of retaining an interest in CHB going forward which will maintain its listing on the Stock Exchange.

## **PART F: GENERAL**

### **1. CHB EGM**

The CHB EGM will be held for the purpose of considering and, if thought fit, approving the Property Agreement by the Independent CHB Shareholders by way of poll. Any CHB Shareholders who are involved in or interested in the Property Agreement and their respective associates (as defined in the Listing Rules) and any persons acting in concert with any CHB Shareholders who are involved in or interested in the Property Agreement are required to abstain from voting on the relevant resolution at the CHB EGM. Other than Dr. Liu Lit Mo, Mr. Liu Lit Chi, LCH Estate, Alba and BTMU and their respective associates (as defined in the Listing Rules) and any persons acting in concert with any of them, none of the CHB Shareholders (including Bauhinia) is required to abstain from voting on the relevant resolution at the CHB EGM. (By virtue of a shareholders' agreement between LCH Estate and BTMU in relation to CHB dated 20 May 1994, BTMU is regarded as a person acting in concert with LCH Estate in connection with CHB. On this basis, BTMU, which holds approximately 9.66% of the CHB Shares, is required to abstain from voting on the relevant resolution at the CHB EGM.) Bauhinia, which holds 20 per cent. of the CHB Shares, has undertaken to CHB that it will vote in favour of such resolution.

It is expected that the CHB Circular containing, among other things, (i) information on the Property Agreement; (ii) a letter of advice from the CHB LR Independent Board Committee to the Independent CHB Shareholders in relation to the Property Agreement; (iii) a letter of advice from the CHB Independent Financial Adviser to the CHB LR Independent Board Committee in relation to, among other things, the Property Agreement; (iv) the independent valuation report on the Property; and (v) a notice convening the CHB EGM will be despatched to the CHB Shareholders on or before 15 November 2013.

### **2. LCHI EGM**

The LCHI EGM will be held for the purpose of considering and, if thought fit, approving the IU Commitment and the Property Agreement by the LCHI Shareholders by way of poll. Each of L. Holdings and Alba, as a LCHI Shareholder, has irrevocably undertaken under the LCHI Irrevocable Undertaking to exercise its voting rights in respect of all of the LCHI Shares held by it to vote in favour of the resolutions at the LCHI EGM to approve the IU Commitment and the Property Agreement. LCHI Shareholders who have a material interest in the IU Commitment and the Property Agreement and their

respective associates (as defined in the Listing Rules) are required to abstain from voting on the relevant resolutions at the LCHI EGM. None of the LCHI Shareholders (including L. Holdings and Alba) is required to abstain from voting on the relevant resolutions at the LCHI EGM.

It is expected that the LCHI Circular containing, among other things, (i) information on the IU Commitment and the Property Agreement; (ii) the independent valuation report on the Property; (iii) financial information of the CHB Group; (iv) unaudited pro forma financial information of the LCHI Group; and (v) a notice convening the LCHI EGM will be despatched to the LCHI Shareholders on or before 15 November 2013.

### **3. CHB Independent Board Committees**

The CHB LR Independent Board Committee has been established to consider the terms of the Property Agreement and to advise the Independent CHB Shareholders on whether the Property Agreement is in the interests of CHB and the CHB Shareholders as a whole and whether the terms of the Property Agreement are on normal commercial terms and are fair and reasonable so far as the Independent CHB Shareholders are concerned. The CHB LR Independent Board Committee comprises all of the independent non-executive CHB Directors.

The CHB Code Independent Board Committee has been established for the purpose of making a recommendation to (i) the Independent CHB Shareholders as to whether the terms of the Property Agreement are fair and reasonable and the voting action that should be taken; and (ii) the Qualifying CHB Shareholders as to whether the Partial Offer is fair and reasonable and as to acceptance. The CHB Code Independent Board Committee comprises all the non-executive CHB Directors (other than Mr. Christopher Kwun Shing Liu) and all the independent non-executive CHB Directors. Mr. Christopher Kwun Shing Liu, being an executive director of LCHI, is considered to be materially interested in the Property Agreement and is therefore excluded from the CHB Code Independent Board Committee.

### **4. CHB Independent Financial Adviser**

CHB has appointed Somerley Limited as the CHB Independent Financial Adviser to advise the CHB Independent Board Committees in relation to the Partial Offer and the Property Agreement. Such appointment has been approved by the CHB Independent Board Committees.

## 5. Information on the CHB Group

CHB is a limited company incorporated in Hong Kong and the CHB Shares are listed on the Main Board of the Stock Exchange. The CHB Group is principally engaged in the provision of banking and related financial services.

Set out below are certain audited financial information of CHB for each of the two financial years ended 31 December 2012:

	<b>For the year ended 31 December 2011</b>	<b>For the year ended 31 December 2012</b>
	<i>approximately HK\$'000</i>	<i>approximately HK\$'000</i>
Net profits before tax	667,652	646,385
Net profits after tax	560,716	543,340

The audited net asset value of CHB as at 31 December 2012 was approximately HK\$7,374 million.

## 6. Information on the LCHI Group

LCHI is a limited company incorporated in Hong Kong and the LCHI Shares are listed on the Main Board of the Stock Exchange. The principal activity of LCHI is investment holding and the principal activities of its principal subsidiaries are (i) financial services (through the CHB Group); (ii) property investment; (iii) property development; (iv) property management; (v) treasury investment (through the CHB Group); (vi) trading and (vii) hotel operation.

## 7. Suspension and resumption of trading in the CHB Shares and the LCHI Shares

At the request of CHB, trading in the CHB Shares and debt securities of CHB on the Stock Exchange has been suspended with effect from 9:00 a.m. on 24 October 2013 pending the release of this Announcement. Application has been made by CHB to the Stock Exchange for resumption of trading in the CHB Shares and debt securities of CHB with effect from 9:00 a.m. on 28 October 2013.

At the request of LCHI, trading in the LCHI Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 24 October 2013 pending the release of this Announcement. Application has been made by LCHI to the Stock Exchange for resumption of trading in the LCHI Shares with effect from 9:00 a.m. on 28 October 2013.

## 8. Dealings disclosure

In accordance with Rule 3.8 of the Code, associates (including persons holding 5 per cent. or more of a class of relevant securities (as defined in Note 4 to Rule 22 to the Code)) of CHB and the Offeror are hereby reminded to disclose their dealings in CHB Shares pursuant to the requirements of the Code.

In accordance with Rule 3.8 of the Code, reproduced below is the full text of Note 11 to Rule 22 of the Code:

*“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any seven day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## 9. Confirmation by LCHI Directors

The Offeror and its ultimate beneficial owner are third parties independent of LCHI and its connected persons.

**WARNING: AS THE MAKING OF THE PARTIAL OFFER IS SUBJECT TO THE SATISFACTION OF THE PRE-CONDITION, BEING THE GRANTING OF THE APPROVAL BY THE HKMA FOR 廣州越秀集團有限公司 (GUANGZHOU YUE XIU HOLDINGS LIMITED\*), YUEXIU AND THE OFFEROR TO BECOME A MAJORITY SHAREHOLDER CONTROLLER OF CHB UNDER THE BANKING ORDINANCE (CHAPTER 155 OF THE LAWS OF HONG KONG), THE PARTIAL OFFER IS A POSSIBILITY ONLY AND MAY OR MAY NOT BE MADE. IT**

**DEPENDS ON THE SATISFACTION OF THE PRE-CONDITION. ACCORDINGLY, LCHI SHAREHOLDERS, CHB SHAREHOLDERS AND PROSPECTIVE INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF LCHI OR OF CHB.**

**COMPLETION OF THE PARTIAL OFFER IS SUBJECT TO THE CONDITIONS BEING FULFILLED. ACCORDINGLY, THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE PARTIAL OFFER WILL BE COMPLETED. THE DISPOSAL OF ANY CHB SHARES BY LCHI UNDER THE PARTIAL OFFER AND THE TRANSACTIONS CONTEMPLATED BY THE PROPERTY AGREEMENT MAY OR MAY NOT PROCEED. LCHI SHAREHOLDERS, CHB SHAREHOLDERS AND PROSPECTIVE INVESTORS ARE ADVISED TO EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF LCHI OR OF CHB.**

## **DEFINITIONS**

In this Announcement, the following terms have the meanings set out below, unless the context requires otherwise:

- “acting in concert”** has the meaning defined in the Code;
- “Alba”** means Alba Holdings Limited, which is a substantial shareholder of LCHI and of which Mr. Liu Lit Chi and his associates (as defined in the Listing Rules) are shareholders;
- “Announcement”** means this announcement dated 25 October 2013;
- “associate(s)”** has the meaning ascribed thereto under the Code;
- “Bauhinia”** means Bauhinia 97 Limited, a wholly owned subsidiary of COSCO (Hong Kong) Group Limited, which is in turn a wholly owned subsidiary of China Ocean Shipping (Group) Company;
- “BTMU”** means The Bank of Tokyo-Mitsubishi UFJ, Ltd;
- “CHB”** means Chong Hing Bank Limited, a Hong Kong-incorporated limited liability company listed on the Main Board of the Stock Exchange with Stock Code 1111;

<b>“CHB Board”</b>	means the board of directors of CHB;
<b>“CHB Circular”</b>	means a circular of CHB in relation to the Property Agreement and containing, among other things, the notice of the CHB EGM, which is to be despatched to the CHB Shareholders;
<b>“CHB Code Independent Board Committee”</b>	means the independent committee of the CHB Board (comprising Mr. Jiale He, Mr. Hidekazu Horikoshi, Mr. Alfred Cheuk Yu Chow, Mr. Qinghui Meng, Dr. Robin Yau Hing Chan, Mr. Timothy George Freshwater, Mr. Wanchai Chiranakhorn, Mr. Yuk Wo Cheng and Mr. Andrew Chiu Cheung Ma, being all the non-executive CHB Directors (other than Mr. Christopher Kwun Shing Liu) and all the independent non-executive CHB Directors) established for the purpose of advising the Independent CHB Shareholders in respect of the Partial Offer and the Property Agreement pursuant to the requirements of the Code;
<b>“CHB Directors”</b>	means the directors of CHB;
<b>“CHB EGM”</b>	means the extraordinary general meeting of CHB to be held to consider and, if thought fit, approve the Property Agreement;
<b>“CHB Group”</b>	means CHB and its subsidiaries;
<b>“CHB Independent Board Committees”</b>	means the CHB Code Independent Board Committee and the CHB LR Independent Board Committee;
<b>“CHB Independent Financial Adviser”</b>	means Somerley Limited, the independent financial adviser to the CHB Independent Board Committees in respect of the Partial Offer and the Property Agreement. Somerley Limited is a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO;

<b>“CHB LR Independent Board Committees”</b>	means the independent committee of the CHB Board (comprising Mr. Robin Yau Hing Chan, Mr. Timothy George Freshwater, Mr. Wanchai Chiranakhorn, Mr. Yuk Wo Cheng and Mr. Andrew Chiu Cheung Ma, being all the independent non-executive CHB Directors) established for the purpose of advising the Independent CHB Shareholders in respect of the Property Agreement pursuant to the requirements of the Listing Rules;
<b>“CHB Shares”</b>	means the ordinary shares of HK\$0.50 each in the capital of CHB;
<b>“CHB Shareholders”</b>	means registered holders of CHB Shares;
<b>“CHB Special Dividend”</b>	means the conditional special interim cash dividend of HK\$4.5195 per CHB Share which is intended to be declared by the CHB Board, as described in Part D of this Announcement;
<b>“Code”</b>	means the Hong Kong Code on Takeovers and Mergers;
<b>“Composite Document”</b>	means the composite offer and response document to be issued, subject to satisfaction of the Pre-Condition, by or on behalf of the Offeror and CHB to all Qualifying CHB Shareholders in accordance with the Code containing, among other things, details of the Partial Offer and the acceptance and transfer forms in respect of the Partial Offer, as may be revised or supplemented as appropriate;
<b>“Conditions”</b>	means the conditions of the Partial Offer, as set out under the section headed “Conditions of the Partial Offer” in Part A of this Announcement;
<b>“connected person”</b>	has the meaning ascribed thereto under the Listing Rules;
<b>“controlling shareholder”</b>	has the meaning ascribed thereto under the Listing Rules;
<b>“Deed of Agreement”</b>	means the deed of agreement dated 25 October 2013 entered into between CHB and Yuexiu in respect of inducement fees;



<b>“Despatch Date”</b>	means the date of despatch of the Composite Document to the CHB Shareholders as required by the Code;
<b>“Executive”</b>	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
<b>“Final Closing Date”</b>	means the date which is the 14th day after (i) the date on which the Partial Offer is declared unconditional as to acceptances or (ii) the First Closing Date, whichever is the earlier, provided that the Partial Offer will be open for acceptance for at least 21 days following the Despatch Date;
<b>“First Closing Date”</b>	means the date stated in the Composite Document as the first closing day of the Partial Offer, which shall be at least 21 days following the date on which the Composite Document is posted, or such later date as may be extended by the Offeror in accordance with the Code;
<b>“Form of Acceptance”</b>	means the form of acceptance and transfer in respect of the Partial Offer accompanying the Composite Document;
<b>“GMPG”</b>	means the Guangzhou Municipal People’s Government of the PRC;
<b>“HK\$”</b>	means Hong Kong dollars, the lawful currency of Hong Kong;
<b>“HKMA”</b>	means the Hong Kong Monetary Authority;
<b>“Hong Kong”</b>	means the Hong Kong Special Administrative Region of the People’s Republic of China;
<b>“Independent CHB Shareholders”</b>	means the CHB Shareholders other than Dr. Liu Lit Mo, Mr. Liu Lit Chi, LCH Estate, Alba and any other CHB Shareholders who are involved in or interested in the Property Agreement and their respective associates (as defined in the Listing Rules) and any persons acting in concert with any of Dr. Liu Lit Mo, Mr. Liu Lit Chi, LCH Estate, Alba and any other CHB Shareholders who are involved in or interested in the Property Agreement;

<b>“IU Commitment”</b>	means the commitments made by LCHI under the LCHI Irrevocable Undertaking to accept, or procure the acceptance of, the Partial Offer in respect of all of the LCH Estate IU Shares;
<b>“IU Shares”</b>	means the total of (i) the 218,359,628 CHB Shares held by LCH Estate, representing its entire interest in CHB and 50.20 per cent. of the issued share capital of CHB; and (ii) the 2,263,211 CHB Shares held by Alba, representing its entire interest in CHB and 0.52 per cent. of the issued share capital of CHB;
<b>“LCH Estate”</b>	means Liu Chong Hing Estate Company, Limited, a controlling shareholder of CHB and a wholly owned subsidiary of LCHI;
<b>“LCH Estate IU Shares”</b>	means the 218,359,628 CHB Shares held by LCH Estate, representing its entire interest in CHB and 50.20 per cent. of the issued share capital of CHB;
<b>“Last Trading Date”</b>	means 23 October 2013, being the last trading day prior to the suspension of trading in CHB Shares pending the publication of this Announcement;
<b>“LCHI”</b>	means Liu Chong Hing Investment Limited, a company incorporated in Hong Kong with limited liability and listed on the Main Board of the Stock Exchange with Stock Code 194;
<b>“LCHI Circular”</b>	means a circular of LCHI in relation to the IU Commitment and the Property Agreement and containing, among other things, the notice of the LCHI EGM to be despatched to the LCHI Shareholders;
<b>“LCHI Directors”</b>	means the directors of LCHI;
<b>“LCHI Distribution in Specie”</b>	means the possible interim distribution in specie by LCHI to LCHI Shareholders of some of the CHB Shares held by LCH Estate after the closing of the Partial Offer, such distribution to be made in proportion to the shareholdings of the LCHI Shareholders in LCHI at the record date to be determined by the LCHI Directors;

<b>“LCHI EGM”</b>	means the extraordinary general meeting of LCHI to be held to consider and, if thought fit, approve the resolutions in respect of the IU Commitment and the Property Agreement;
<b>“LCHI Group”</b>	means LCHI and its subsidiaries;
<b>“LCHI Irrevocable Undertaking”</b>	means the irrevocable undertaking entered into between L. Holdings, LCH Estate, LCHI, Alba and Yuexiu dated 25 October 2013;
<b>“LCHI Shares”</b>	means the ordinary shares of HK\$1.00 each in the capital of LCHI;
<b>“LCHI Shareholders”</b>	means holders of LCHI Shares;
<b>“L. Holdings”</b>	means Liu’s Holdings Limited, which is a controlling shareholder of LCHI and of which Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung, all of whom are LCHI Directors, are shareholders;
<b>“Lease”</b>	means the lease to be entered into between CHB (as tenant) and LCHI (as landlord) for certain parts of the Property upon the completion of the Property Transfer, the principal terms of which are disclosed in Part C of this Announcement;
<b>“Listing Rules”</b>	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
<b>“Long Stop Date”</b>	means 25 February 2014, being the date falling four months after the date of this Announcement, or such other date as the parties to the LCHI Irrevocable Undertaking may agree in writing;
<b>“Nomura”</b>	means Nomura International (Hong Kong) Limited, an institution licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Offeror in relation to the Partial Offer;
<b>“Offer Period”</b>	has the meaning ascribed to it in the Code;

<b>“Offer Price”</b>	means HK\$35.69 per CHB Share;
<b>“Offeror”</b>	means Yuexiu Financial Holdings Limited, a limited company incorporated in Hong Kong and wholly owned by Yuexiu;
<b>“Partial Offer”</b>	means the pre-conditional voluntary cash partial offer by Nomura on behalf of the Offeror to the Qualifying CHB Shareholders to acquire a maximum of 326,250,000 CHB Shares (representing 75 per cent. of the issued share capital of CHB) at the Offer Price and any subsequent revision or extension of such offer;
<b>“PRC”</b>	means the People’s Republic of China which, for the purpose of this Announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
<b>“Pre-Condition”</b>	means the pre-condition to the making of the Partial Offer, as set out under the section headed “Pre-Condition to the Partial Offer” in Part A of this Announcement;
<b>“Property”</b>	means Chong Hing Bank Centre at No. 24 Des Vœux Road, Central, Hong Kong;
<b>“Property Agreement”</b>	means the agreement dated 25 October 2013 entered into between CHB and LCHI for the Property Transfer and the Lease, the principal terms of which are disclosed in Part C of this Announcement;
<b>“Property Transfer”</b>	means the sale by CHB and purchase by LCHI of the Property at the Property Transfer Consideration, the principal terms of which are disclosed in Part C of this Announcement;
<b>“Property Transfer Consideration”</b>	means the consideration for the Property Transfer, being HK\$2,230 million;
<b>“Qualifying CHB Shareholders”</b>	means CHB Shareholders other than the Offeror and parties acting in concert with it;
<b>“Record Date”</b>	means the date immediately prior to the Final Closing Date, being the record date for determining CHB Shareholders’ entitlement to the CHB Special Dividend;

“SFC”	means the Securities and Futures Commission of Hong Kong;
“SFO”	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it in the Listing Rules;
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules;
“UBS”	means UBS AG, acting through its Hong Kong branch, an institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to CHB and LCHI;
“Yuexiu”	means Yue Xiu Enterprises (Holdings) Limited, a limited company incorporated in Hong Kong and a wholly owned subsidiary of 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), which is a limited liability company incorporated in the PRC beneficially wholly owned by the GMPG; and
“%”	means per cent.

By order of the board of <b>Yue Xiu Enterprises (Holdings) Limited</b> <b>Xing Xiaoli</b> <i>Company Secretary</i>	By order of the board of <b>Yuexiu Financial Holdings Limited</b> <b>Yu Tat Fung</b> <i>Company Secretary</i>	By order of the board of <b>Liu Chong Hing Investment Limited</b> <b>Lee Wai Hung</b> <i>Company Secretary</i>	By order of the board of <b>Chong Hing Bank Limited</b> <b>Michael K W Yeung</b> <i>Company Secretary</i>
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Hong Kong, 25 October 2013

*As at the date of this Announcement, the directors of the Offeror are Mr. Zhang Zhaoxing, Mr. Zhu Chunxiu, Mr. Wang Shuhui and Mr. Ou Junming. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than information relating to Yuexiu, CHB, LCHI or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than opinions expressed by Yuexiu, CHB, LCHI or any of their associates or parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement the omission of which would make any statement in this Announcement misleading.*

*As at the date of this Announcement, the directors of Yuexiu are Mr. Zhang Zhaoxing, Mr. Zhu Chunxiu, Mr. Liang Ningguang, Mr. Wu Shanghui, Mr. Zhou Qianding, Mr. Li Xinchun and Mr. He Zhifeng. The directors of Yuexiu jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than information relating to the Offeror, CHB, LCHI or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than opinions expressed by the Offeror, CHB, LCHI or any of their associates or parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement the omission of which would make any statement in this Announcement misleading.*

*As at the date of this Announcement, the directors of LCHI are Dr. Liu Lit Mo, Mr. Liu Lit Chi, Mr. Liu Kam Fai, Winston, Mr. Liu Kwun Shing, Christopher, Mr. Lee Wai Hung, Dr. Liu Lit Chung, Mr. Andrew Liu, Mr. Liu Chun Ning, Wilfred, Mr. Kho Eng Tjoan, Christopher, Dr. Cheng Mo Chi, Moses, Mr. Tong Tsin Ka, Mr. Au Kam Yuen, Arthur and Dr. Ma Hung Ming, John. The directors of LCHI jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than information relating to Yuexiu, the Offeror, CHB or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than opinions expressed by Yuexiu, the Offeror, CHB or any of their associates or parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement the omission of which would make any statement in this Announcement misleading.*

*As at the date of this Announcement, the directors of CHB are Dr. Liu Lit Mo, Mr. Liu Lit Chi, Mr. Lau Wai Man, Mr. Don Tit Shing Liu, Mr. Wilfred Chun Ning Liu, Mr. He Jiale, Mr. Hidekazu Horikoshi, Mr. Christopher Kwun Shing Liu, Mr. Alfred Cheuk Yu Chow, Mr. Meng Qinghui, Dr. Robin Yau Hing Chan, Mr. Timothy George Freshwater, Mr. Wanchai Chiranakhorn, Mr. Cheng Yuk Wo and Mr. Andrew Chiu Cheung Ma. The directors of CHB jointly and severally accept full responsibility for the accuracy of the information contained in this Announcement (other than information relating to Yuexiu, the Offeror, LCHI or any of their associates or any parties acting in concert with any of them) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Announcement (other than opinions expressed by Yuexiu, the Offeror, LCHI or any of their associates or parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Announcement the omission of which would make any statement in this Announcement misleading.*

\* for identification purpose only