

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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*(a Hong Kong-incorporated limited liability company)*

**(Stock code: 1111)**

**PROPERTY AGREEMENT CONSTITUTING A DISCLOSEABLE  
TRANSACTION, A CONNECTED TRANSACTION AND  
A CONTINUING CONNECTED TRANSACTION AND  
A SPECIAL DEAL IN RELATION TO THE PARTIAL OFFER**

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



**Financial adviser to the Company and LCHI**



A letter from the Board is set out on pages 8 to 17 of this circular. A letter of advice containing the recommendations from the Independent Board Committees to the Independent Shareholders is set out on pages 18 and 19 of this circular. A letter of advice from Somerley, the Independent Financial Adviser, to the Independent Board Committees and the Independent Shareholders is set out on pages 20 to 33 of this circular. A notice convening the extraordinary general meeting of the Company to be held at 11:00 a.m. on 20 December 2013 on the 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong is set out on page EGM-1 of this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or at any adjournment thereof should you so desire.

4 December 2013

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## DEFINITIONS

*In this circular, unless the context requires otherwise, the following terms have the following meanings:*

“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;
“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;
“Board”	means the board of Directors;
“BTMU”	means The Bank of Tokyo-Mitsubishi UFJ, Ltd;
“circular”	means this circular dated 4 December 2013;
“Code”	means the Hong Kong Code on Takeovers and Mergers;
“Code Independent Board Committee”	means the independent committee of the Board (comprising Mr. He Jiale, Mr. Hidekazu Horikoshi, 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, being all the non-executive Directors (other than Mr. Christopher Kwun Shing Liu) and all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Partial Offer and the Property Agreement pursuant to the requirements of the Code;
“Company”	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;
“Composite Document”	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 the Company to all Qualifying 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;

## DEFINITIONS

“Conditions”	means the conditions of the Partial Offer, as set out under the section headed “Conditions of the Partial Offer” in Part A of Appendix I to this circular;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Deed of Agreement”	means the deed of agreement dated 25 October 2013 entered into between the Company and Yuexiu in respect of inducement fees;
“Despatch Date”	means the date of despatch of the Composite Document to the Shareholders as required by the Code;
“Directors”	means the directors of the Company;
“EGM”	means the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Property Agreement;
“Executive”	means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director;
“Final Closing Date”	means the date which is the 14th day after the date on which the Partial Offer becomes or is declared unconditional in all respects provided that the Partial Offer will be open for acceptance for at least 21 days following the Despatch Date;
“First Closing Date”	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;
“Form of Acceptance”	means the form of acceptance and transfer in respect of the Partial Offer accompanying the Composite Document;
“GMPG”	means the Guangzhou Municipal People’s Government of the PRC;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;

## DEFINITIONS

“HKMA”	means the Hong Kong Monetary Authority;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committees”	means the Code Independent Board Committee and the LR Independent Board Committee;
“Independent Financial Adviser” or “Somerley”	means Somerley Limited, the independent financial adviser to the 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;
“Independent Shareholders”	means the Shareholders other than Dr. Liu Lit Mo, Mr. Liu Lit Chi, LCH Estate, Alba and BTMU and any other 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 BTMU and any other Shareholders who are involved in or interested in the Property Agreement;
“IU Commitment”	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;
“IU Shares”	means the total of (i) the 218,359,628 Shares held by LCH Estate, representing its entire interest in the Company and 50.2 per cent. of the issued share capital of the Company; and (ii) the 2,263,211 Shares held by Alba, representing its entire interest in the Company and 0.52 per cent. of the issued share capital of the Company;
“Joint Announcement”	means the joint announcement dated 25 October 2013 issued by Yuexiu, the Offeror, the Company and LCHI in relation to, among other things, the Partial Offer, the IU Commitment and the Property Agreement;
“Latest Practicable Date”	means 29 November 2013;
“LCH Estate”	means Liu Chong Hing Estate Company, Limited, a controlling shareholder of the Company and a wholly-owned subsidiary of LCHI;

## DEFINITIONS

“LCH Estate IU Shares”	means the 218,359,628 Shares held by LCH Estate, representing its entire interest in the Company and 50.20 per cent. of the issued share capital of the Company;
“LCHI”	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;
“LCHI Circular”	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 dispatched to the LCHI Shareholders;
“LCHI Directors”	means the directors of LCHI;
“LCHI Distribution in Specie”	means the possible interim distribution in specie by LCHI to LCHI Shareholders of some of the 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;
“LCHI EGM”	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;
“LCHI Group”	means LCHI and its subsidiaries;
“LCHI Irrevocable Undertaking”	means the irrevocable undertaking entered into between L. Holdings, LCH Estate, LCHI, Alba and Yuexiu dated 25 October 2013, the principal terms of which are disclosed in Part B of Appendix I to this circular;
“LCHI Shareholders”	means holders of LCHI Shares;
“LCHI Shares”	means the ordinary shares of HK\$1.00 each in the capital of LCHI;
“Lease”	means the lease to be entered into between the Company (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 the Joint Announcement and Part C of the Letter from the Board in this circular;
“Letter from the Board”	means the letter from the Board to Shareholders set out in this circular;

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“L. Holdings”	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;
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long Stop Date”	means 25 February 2014, being the date falling four months after the date of the Joint Announcement, or such other date as the parties to the LCHI Irrevocable Undertaking may agree in writing;
“LR Independent Board Committee”	means the independent committee of the Board (comprising Dr. Robin Yau Hing Chan, Mr. Timothy George Freshwater, Mr. Wanchai Chiranakhorn, Mr. Cheng Yuk Wo and Mr. Andrew Chiu Cheung Ma, being all the independent non-executive Directors) established for the purpose of advising the Independent Shareholders in respect of the Property Agreement pursuant to the requirements of the Listing Rules;
“Nomura”	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;
“Offer Period”	has the meaning ascribed to it in the Code;
“Offer Price”	means HK\$35.69 per Share;
“Offeror”	means Yuexiu Financial Holdings Limited, a limited company incorporated in Hong Kong and wholly owned by Yuexiu;
“Partial Offer”	means the pre-conditional voluntary cash partial offer by Nomura on behalf of the Offeror to the Qualifying Shareholders to acquire a maximum of 326,250,000 Shares (representing 75 per cent. of the issued share capital of the Company) at the Offer Price and any subsequent revision or extension of such offer as set out in Part A of Appendix I to this circular;

## DEFINITIONS

“PRC”	means the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“Pre-Condition”	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 Appendix I to this circular;
“Property”	means Chong Hing Bank Centre at No. 24 Des Voeux Road Central, Hong Kong;
“Property Agreement”	means the agreement dated 25 October 2013 entered into between the Company and LCHI for the Property Transfer and the Lease, the principal terms of which are disclosed in Part C of the Joint Announcement and Part C of the Letter from the Board in this circular;
“Property Transfer”	means the sale by the Company and purchase by LCHI of the Property at the Property Transfer Consideration, the principal terms of which are disclosed in Part C of the Joint Announcement and Part C of the Letter from the Board in this circular;
“Property Transfer Consideration”	means the consideration for the Property Transfer, being HK\$2,230 million;
“Qualifying Shareholders”	means Shareholders other than the Offeror and parties acting in concert with it;
“Record Date”	means the date immediately prior to the Final Closing Date, being the record date for determining Shareholders’ entitlement to the 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);
“Shareholders”	means the registered holders of Shares;
“Shares”	means the ordinary shares of HK\$0.50 each in the capital of the Company;



## DEFINITIONS

“Special Dividend”	means the conditional special interim cash dividend of HK\$4.5195 per Share which is intended to be declared by the Board, as described in Part D of the Joint Announcement and Part C of the Letter from the Board in this circular;
“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 to it in 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 the Company and LCHI;
“Vigers”	means Vigers Appraisal and Consulting Limited, an independent qualified property valuer;
“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.

\* *for identification purpose only*

LETTER FROM THE BOARD



創興銀行有限公司  
Chong Hing Bank Limited

(a Hong Kong-incorporated limited liability company)

(Stock code: 1111)

*Executive Directors:*

Dr. Liu Lit Mo, LLD, MBE, J.P.

(Chairman)

Mr. Liu Lit Chi

(Deputy Chairman and Managing Director)

Mr. Lau Wai Man

(Chief Executive Officer)

Mr. Don Tit Shing Liu

(Deputy Chief Executive Officer)

Mr. Wilfred Chun Ning Liu

*Registered Office:*

Ground Floor

Chong Hing Bank Centre

24 Des Voeux Road Central

Hong Kong

*Non-executive Directors:*

Mr. He Jiale

Mr. Hidekazu Horikoshi

Mr. Christopher Kwun Shing Liu

Mr. Alfred Cheuk Yu Chow, BBS, J.P.

Mr. Meng Qinghui

*Independent Non-executive Directors:*

Dr. Robin Yau Hing Chan GBS, LLD, J.P.

Mr. Timothy George Freshwater

Mr. Wanchai Chiranakhorn

Mr. Cheng Yuk Wo

Mr. Andrew Chiu Cheung Ma

4 December 2013

*To the Shareholders*

Dear Sir or Madam,

**PROPERTY AGREEMENT CONSTITUTING A DISCLOSEABLE  
TRANSACTION, A CONNECTED TRANSACTION AND  
A CONTINUING CONNECTED TRANSACTION AND  
A SPECIAL DEAL IN RELATION TO THE PARTIAL OFFER**

**INTRODUCTION**

Reference is made to the Joint Announcement dated 25 October 2013 issued by Yuexiu, the Offeror, the Company and LCHI in relation to, among other things, the Partial Offer, the IU Commitment and the Property Agreement.

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, the details of the Property Agreement, and to give Shareholders notice of the EGM and other information required by the Listing Rules and the Code.

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

An extract from the Joint Announcement containing information on the Partial Offer is reproduced in Part A of Appendix I to this circular.

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

An extract from the Joint Announcement containing information on the commitment by LCHI and Alba to accept the Partial Offer under the LCHI Irrevocable Undertaking is reproduced in Part B of Appendix I to this circular.

### **PART C: PROPERTY AGREEMENT**

On 25 October 2013, the Company entered into the Property Agreement with LCHI, a controlling shareholder of the Company, 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 the Company. Neither LCHI nor the Company 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**

<b>Parties:</b>	(1) the Company (as vendor); and (2) LCHI (as purchaser).
<b>Subject matter of the Property Transfer:</b>	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.
<b>The Property Transfer Consideration:</b>	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, an independent qualified property valuer. The independent valuation report from Vigers is in Appendix II to this circular.

## LETTER FROM THE BOARD

The Property Transfer Consideration shall be paid in cash by LCHI to the Company 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. 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) the Company (as lessee).

**Subject matter of the Lease:**

LCHI (as lessor) has agreed to lease to the Company (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 the Company.

During the term of the Lease, the Company (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. The arrangement enables the Company and LCHI to use the conference rooms on the 27th floor of the Property and the function room and dining facilities on the 28th floor of the Property on alternate 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.

## LETTER FROM THE BOARD

The Company 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.

A letter from the Independent Financial Adviser confirming that it is normal business practice for contracts of this type to be of such a duration is included in this circular.

**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. The Company intends to fund its payment of the rent payable under the Lease by its internal resources.

**Usage of the leased premises:**

The Company 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:**

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

**Rent during the renewed term:**

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

## LETTER FROM THE BOARD

**Stamp duty:**

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

### **3. Annual caps for the Lease**

The 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. Reasons for entering into the Property Agreement**

The Property Transfer will allow the Company 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 the Company. All Shareholders will be able to benefit from the Property Transfer through the return of value to Shareholders afforded by the Special Dividend.

The length of the Lease will allow the Company 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 the Company as (i) the ownership of the Property is not essential for the purpose of running the business of the Company; 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 Board (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 the Company in respect of the Property Agreement; and (b) members of the Independent Board Committees, whose views together with the advice of the Independent Financial Adviser are set out in this circular) considers the terms of the Property Agreement to be fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **5. Financial effect of the Property Transfer on the Group**

The unaudited net loss (before taxation and extraordinary items) of the Company attributable to the Property for each of the two years ended 31 December 2011 and 31 December 2012 was approximately HK\$7.2 million and approximately HK\$6.4 million, respectively. The unaudited net loss (after taxation and extraordinary items) of the Company attributable to the Property for each of the two years ended 31 December 2011 and 31 December 2012 was approximately HK\$6.0 million and approximately HK\$5.4 million, respectively. During the two years ended 31 December 2011 and 31 December 2012, the 21st floor, 22nd floor, 23rd floor and 25th floor of the Property were leased to LCHI, whilst the rest of the Property was occupied by the Company and its wholly-owned subsidiaries as the head

## LETTER FROM THE BOARD

office. The net losses reflected the fact that a large portion of the Property, which was occupied by the Company, 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 the Company 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, an independent qualified 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 the Company arising from the Property Transfer is approximately HK\$1,966 million.

The expenses incurred and expected to be incurred by the Company in connection with the Property Transfer include legal fees and other costs and expenses, which are considered by the Company to be immaterial with reference to the expected gain arising from the Property Transfer.

### **6. Special Dividend**

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 the Company to fund the Special Dividend.

Conditional on completion of the Property Transfer, the Company 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 Special Dividend to all Shareholders registered as such on the Record Date on the following basis:

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

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

### **PART D: GENERAL**

#### **1. Compliance with the Listing Rules and the Code**

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

## LETTER FROM THE BOARD

As LCHI is a controlling shareholder of the Company, LCHI is a connected person of the Company. 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 the Company. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Property Transfer for the Company 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 the Company.

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 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 has been made by the Company to the Executive for consent to proceed with the Property Agreement. Such consent, if granted, will be subject to (i) the opinion of the 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 Shareholders by way of poll at the EGM. The letter from the Independent Financial Adviser setting out its opinion on whether the Property Agreement is in the ordinary and usual course of business of the Company, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole is included in this circular.

The approval by the Independent 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 the Joint Announcement and Part A of Appendix I to this circular.

## 2. EGM

The EGM will be held for the purpose of considering and, if thought fit, approving the Property Agreement by the Independent Shareholders by way of poll.

Any 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 Shareholders who are involved in or interested in the Property Agreement are required to abstain from voting on the relevant resolution at the EGM. Such Shareholders (and their respective associates and persons acting in concert with any such Shareholders) are Dr. Liu Lit Mo (holding 1,002,450 Shares representing approximately 0.23% of the Shares in issue as at the Latest Practicable Date), Mr. Liu Lit Chi (holding 313,248 Shares representing approximately 0.07% of the Shares in issue as at the Latest Practicable Date), LCH Estate (holding 218,359,628 Shares representing approximately 50.2% of the Shares in issue as at the Latest Practicable Date), Alba (holding 2,263,211 Shares representing approximately 0.52% of the Shares in issue as at the Latest Practicable Date) and BTMU (holding 42,000,000 Shares representing approximately 9.66% of the Shares in issue as at the Latest Practicable Date). None of the other Shareholders (including Bauhinia) is required to abstain from voting on the



## LETTER FROM THE BOARD

relevant resolution at the EGM. (By virtue of a shareholders' agreement between LCH Estate and BTMU in relation to the Company dated 20 May 1994, BTMU is regarded as a person acting in concert with LCH Estate in connection with the Company. On this basis, BTMU, which holds approximately 9.66% of the Shares, is required to abstain from voting on the relevant resolution at the EGM.) Bauhinia, which holds 20 per cent. of the Shares, has undertaken to the Company that it will vote in favour of such resolution.

A notice convening the EGM with the ordinary resolution is set out on page EGM-1 of this circular.

A form of proxy for use at the EGM is accompanied with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

### **3. Recommendation by the Board**

The Board (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 the Company in respect of the Property Agreement; and (b) members of the Independent Board Committees, whose views together with the advice of the Independent Financial Adviser are set out in this circular) considers the terms of the Property Agreement to be fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole and recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

### **4. Independent Board Committees and their Recommendation**

The LR Independent Board Committee has been established to consider the terms of the Property Agreement and to advise the Independent Shareholders on whether the Property Agreement is in the interests of the Company and the 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 Shareholders are concerned. The LR Independent Board Committee comprises all of the independent non-executive Directors.

The Code Independent Board Committee has been established for the purpose of making a recommendation to (i) the Independent 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 Shareholders as to whether the Partial Offer is fair and reasonable and as to acceptance. The Code Independent Board Committee comprises all the non-executive Directors (other than Mr. Christopher Kwun Shing Liu) and all the independent non-executive 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 Code Independent Board Committee.

## LETTER FROM THE BOARD

Having considered the terms of the Property Agreement and taken into account the advice of the Independent Financial Adviser, the LR Independent Board Committee considers that the terms of the Property Agreement are (i) on normal commercial terms; (ii) fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Group and the Shareholders as a whole. Accordingly, the LR Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolution to be proposed at the EGM to approve the Property Agreement.

Having considered the terms of the Property Agreement and taken into account the advice of the Independent Financial Adviser, the Code Independent Board Committee considers that the terms of the Property Agreement are fair and reasonable. Accordingly, the Code Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolution to be proposed at the EGM to approve the Property Agreement.

### 5. Independent Financial Adviser

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

### 6. Information on the Group

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

Set out below are certain audited financial information of the Company for each of the two financial years ended 31 December 2011 and 31 December 2012:

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

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

### 7. 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

## LETTER FROM THE BOARD

Group); (ii) property investment; (iii) property development; (iv) property management; (v) treasury investment (through the Group); (vi) trading and manufacturing; and (vii) hotel operation.

### **8. Additional Information**

Your attention is drawn to the letter from the Independent Financial Adviser on pages 20 to 33 of this circular, the letter from the Independent Board Committees on pages 18 and 19 of this circular and the additional information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**Dr. Liu Lit Mo**  
*Chairman*

LETTER FROM THE INDEPENDENT BOARD COMMITTEES



創興銀行有限公司  
Chong Hing Bank Limited

(a Hong Kong-incorporated limited liability company)

(Stock code: 1111)

4 December 2013

*To the Independent Shareholders*

Dear Sir or Madam,

We refer to the circular of the Company dated 4 December 2013 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context requires otherwise.

We have been appointed by the Board as members of the Independent Board Committees to advise the Independent Shareholders on the Property Agreement.

The Independent Financial Adviser has been appointed to advise the Independent Board Committees and the Independent Shareholders in respect of the fairness and reasonableness of the terms of the Property Agreement. Details of its advice, together with the principal factors taken into consideration in arriving at such, are set out in its letter on pages 20 to 33 of the Circular.

Your attention is drawn to the letter from the Board set out on pages 8 to 17 of this Circular and the general information set out in Appendix III to the Circular.

Having considered the terms of the Property Agreement and taken into account the advice of the Independent Financial Adviser, the LR Independent Board Committee considers that the terms of the Property Agreement are (i) on normal commercial terms; (ii) fair and reasonable so far as the Independent Shareholders are concerned; and (iii) in the interests of the Group and the Shareholders as a whole. Accordingly, the LR Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolution to be proposed at the EGM to approve the Property Agreement.

**LETTER FROM THE INDEPENDENT BOARD COMMITTEES**

Having considered the terms of the Property Agreement and taken into account the advice of the Independent Financial Adviser, the Code Independent Board Committee considers that the terms of the Property Agreement are fair and reasonable. Accordingly, the Code Independent Board Committee recommends that the Independent Shareholders vote in favour of the resolution to be proposed at the EGM to approve the Property Agreement.

Yours faithfully,

**He Jiale**  
**Hidekazu Horikoshi**  
**Alfred Cheuk Yu Chow**  
**Meng Qinghui**  
**Robin Yau Hing Chan**  
**Timothy George Freshwater**  
**Wanchai Chiranakhorn**  
**Cheng Yuk Wo**  
**Andrew Chiu Cheung Ma**  
*Code Independent Board Committee*

**Robin Yau Hing Chan**  
**Timothy George Freshwater**  
**Wanchai Chiranakhorn**  
**Cheng Yuk Wo**  
**Andrew Chiu Cheung Ma**  
*LR Independent Board Committee*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the text of a letter of advice from Somerley Limited to the Independent Board Committees, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY LIMITED**  
20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

4 December 2013

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

Dear Sirs,

### **PROPERTY AGREEMENT CONSTITUTING A DISCLOSEABLE TRANSACTION, A CONNECTED TRANSACTION AND A CONTINUING CONNECTED TRANSACTION AND A SPECIAL DEAL IN RELATION TO THE PARTIAL OFFER**

#### **INTRODUCTION**

We refer to our appointment as independent financial adviser to advise the Independent Board Committees in connection with the Property Agreement. Details of the Property Agreement are contained in the circular of the Company dated 4 December 2013 (the "Circular"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 25 October 2013, the Company entered into the Property Agreement with LCHI, a controlling shareholder of the Company, for the Property Transfer and the Lease. The Property Transfer relates to the sale of Chong Hing Bank Centre to LCHI for HK\$2,230 million in cash. The Lease relates to the leaseback by LCHI to the Company of most of the floors for a period of five years at a rental of HK\$5.66 million per month, with an option for the Company to renew for a further term of five years at the prevailing open market rent.

As the Property Agreement was entered into during the Offer Period of the Partial Offer and as the benefit of the Property Agreement is not capable of being extended to all 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 has been made by the Company to the Executive for consent to proceed with the Property Agreement. Such consent, if granted, will be subject to (i) the opinion of the 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 Shareholders by way of poll at the EGM.

As the highest applicable percentage ratio under the Listing Rules in relation to the Property Transfer is more than 5% but less than 25%, the Property Transfer constitutes a discloseable transaction of the Company under the Listing Rules. As LCHI, the purchaser, is

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the controlling shareholder of the Company, LCHI is a connected person of the Company. Accordingly, the Property Agreement constitutes a connected transaction (in respect of the Property Transfer) and a continuing connected transaction (in respect of the Lease) of the Company under the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules in relation to the Property Transfer is more than 5%, the Property Transfer is subject to the Independent Shareholders' approval in addition to the reporting and announcement requirements under the Listing Rules. As the highest applicable percentage ratios applicable to the annual caps for the Lease will, on an annual basis, be more than 0.1% but less than 5%, the Lease is subject to the reporting, annual review and announcement requirements under the Listing Rules as long as LCHI remains a connected person of the Company.

The Board currently consists of five executive Directors, five non-executive Directors and five independent non-executive Directors. Because the provisions of the Code and the Listing Rules are slightly different, two Independent Board Committees have been established to consider the Property Agreement, with membership as set out below.

The LR Independent Board Committee is comprised of all the independent non-executive Directors namely Dr. Robin Yau Hing Chan, Mr. Timothy George Freshwater, Mr. Wanchai Chiranakhorn, Mr. Cheng Yuk Wo and Mr. Andrew Chiu Cheung Ma.

The Code Independent Board Committee is comprised of all the above five independent non-executive Directors plus four of the non-executive Directors namely Mr. He Jiale, Mr. Hidekazu Horikoshi, Mr. Alfred Cheuk Yu Chow and Mr. Meng Qinghui. 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 Code Independent Board Committee. The Independent Board Committees have been established to make recommendations to, among other things, the Independent Shareholders as to whether the terms of the Property Agreement are fair and reasonable and as to the voting action that should be taken.

The Independent Board Committees have approved our appointment as the Independent Financial Adviser to advise them and the Independent Shareholders as to whether the terms of the Property Agreement are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned, and as to whether the Property Agreement is in the interests of the Company and the Shareholders as a whole. Under Rule 14A.35(1) of the Listing Rules, we are also required to explain why a duration exceeding three years is required for the Lease, and to confirm that it is normal business practice for the Lease to be of such duration.

We are not associated or connected with the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Property Agreement. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the Offeror, their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In formulating our opinion, we have reviewed, among other things, (i) the Joint Announcement; (ii) the Property Agreement; (iii) the valuation report in relation to the Property issued by Vigers; and (iv) opinion letter issued by Vigers regarding the Lease. We have discussed with Vigers the basis, assumptions and methodology for their property valuation. We have relied on the information and facts supplied, and the opinions expressed, by the Directors, and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material respects at the time they were made and up to the date of the Circular. We have further assumed that all representations contained or referred to in the Circular are true, accurate and complete at the time they were made and at the date of the Circular. Independent Shareholders will be informed as soon as practicable if we become aware of any material change to such information. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our advice and recommendations as set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group or LCHI nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In considering whether the terms of the Property Agreement are fair and reasonable so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

#### **(i) Background to and reasons for the Property Agreement**

The Property Agreement has been entered into in the context of the Partial Offer announced on 25 October 2013.

The Group is principally engaged in the provision of banking and related financial services. 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 majority of the floors at the Property are currently used as the head office of the Company.

The Offeror has stated in the Joint Announcement that it does not intend to include the Property in the asset base of the Company as it is not essential for running the banking business. Following closing of the Partial Offer, the Offeror wishes to explore other options with regard the location of the head office of the Company and may consider alternative larger premises in the future.

As set out in the sub-section headed “Financial effect of the Property Transfer on the Group” under the section headed “Part C: Property Agreement” in the “Letter from the Board” of the Circular, the Property Transfer is estimated to give rise to an unaudited gain for the Company of approximately HK\$1,966 million (being the difference between the consideration for the Property of HK\$2,230 million and the unaudited carrying value



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

of the Property of approximately HK\$264 million as at 30 June 2013). Such gain is non-recurring in nature. In the opinion of the Directors, there should not be any material tax implications on the Company in relation to the Property Transfer.

Approximately HK\$1,966 million, being the proceeds from the Property Transfer less the unaudited carrying value of the Property discussed above, will be used by the Company to fund the Special Dividend. Accordingly, the Directors consider that the Property Transfer provides an opportunity for the Company to unlock the value of the Property and return it to Shareholders by way of the Special Dividend of HK\$4.5195 per Share in cash, which Shareholders will receive in addition to the consideration payable in respect of acceptances of the Partial Offer.

Under the Lease to be entered into upon completion of the Property Transfer, the Company will, among other things, lease from LCHI the floors of the Property which are currently used as its head office. As mentioned above, following the close of the Partial Offer, the Offeror wishes to explore alternative locations of the head office of the Company and may consider larger premises. However, as this plan may take some time to implement, the Company will need to retain its head office at the Property for at least a transitional period after the closing of the Partial Offer. The Directors consider that the Lease will allow the Company sufficient time to find a suitable location for its head office, to minimise disruption to its existing operations and provide stability for staff and customers during the transitional period.

Shareholders should note that the Special Dividend is conditional upon completion of the Property Transfer. Completion of the Property Transfer, which is part of the Property Agreement, is in turn 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 making of the Partial Offer is subject to the satisfaction of the Pre-Condition which relates to certain approvals from the HKMA. The Partial Offer itself, when made, is subject to the fulfilment of the Conditions. Accordingly, the Partial Offer may or may not become unconditional and will lapse if it does not become unconditional. One of the Conditions is the approval by the Independent Shareholders of the Property Agreement in accordance with the Listing Rules and the Code. Further details of the Partial Offer including the Pre-Condition and the Conditions are set out in the Joint Announcement, of which a relevant extract is reproduced in Appendix I to the Circular.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (ii) Principal terms of the Property Transfer

The following table sets out the principal terms of the Property Transfer:

<b>Parties:</b>	The Company (as vendor); and LCHI (as purchaser)
<b>Location of the Property:</b>	Chong Hing Bank Centre, No. 24 Des Voeux Road Central, Hong Kong
<b>Gross floor area:</b>	Approximately 108,141 square feet
<b>The Property Transfer Consideration:</b>	HK\$2,230 million shall be paid in cash at completion of the Property Transfer

The Property Transfer Consideration of HK\$2,230 million 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 carried out by Vigers, an independent property valuer.

### (iii) Evaluation of the Property Transfer Consideration

The full text of Vigers' valuation report is set out in Appendix II to the Circular and the attention of the Independent Shareholders is drawn to it. We have interviewed Vigers regarding its expertise and understand that Vigers has been established for over 30 years in Asia Pacific and the Vigers group opens and operates eight offices in Asia Pacific region having over 200 permanent staff and with headquarters in Hong Kong. One of the executives signing the valuation report is a Registered Professional Surveyor in General Practice Division and has over 30 years' valuation experience on properties in various regions including Hong Kong, Macao, the PRC, Taiwan, Japan, the United Kingdom, Canada and the United States of America. The other executive signing the valuation report is a member of the Royal Institution of Chartered Surveyors with over 10 years' valuation experience on property in various regions including Hong Kong, Macao and the PRC. Further details of their qualifications and experiences are set out in Vigers' valuation report set out in Appendix II to the Circular.

As required under Note 1(d) to Rule 13.80 of the Listing Rules, during our interview, we have discussed with Vigers its current and prior relationships with the Group, another party to the transaction and connected persons of either the Group or another party to the transaction. As advised by Vigers, Vigers carries out regular valuation work of properties in Hong Kong and the PRC for both the Company and LCHI for accounting purpose and none of the executive signing the valuation report is involved in such work. Also, we have reviewed Vigers' terms of engagement (having particular regard to the scope of work, whether the scope of work is appropriate to the opinion required to be given and any limitations on the scope of work which might adversely impact on the degree of assurance given by the valuation report); and we have assessed whether representations made by the Group (or another party to the transaction) are in accordance with our knowledge of the Hong Kong property market.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in Vigers' valuation report and based on our discussions with Vigers, Vigers has valued the tenanted portions of the Property on the basis of capitalisation of net rental income derived from the existing tenancies with allowance onto the reversionary interest by making reference to comparable market transactions. In valuing the portions of the Property which are occupied by the owner, Vigers has employed the direct comparison method whereby comparisons have been made based on actual sales of comparable properties. Comparable properties with similar character, location and size are analysed and weighed against all respective advantages and disadvantages of the Property in order to arrive at a fair comparison of value. We have reviewed and discussed with Vigers the methodology of and valuation assumptions adopted for the valuation, which are summarised in Vigers' valuation report.

Based on our discussions with Vigers and our understanding of the work conducted by Vigers, we consider that the above methodologies are fair and reasonable approaches to establish the appraised value of the Property.

Vigers' valuation has not taken the terms of the Lease into account. As Vigers considers the rental payable under the Lease is in line with current market rentals, Vigers has stated that its valuation would not be materially affected if it had been instructed to value the Property on the basis that the Lease had been signed.

#### **(iv) Financial effect of the Property Transfer on the Group and use of proceeds by the Company**

It is expected that the Property Transfer would give rise to an unaudited non-recurring gain of approximately HK\$1,966 million, being the difference of the appraised value of the Property of HK\$2,230 million as at 25 October 2013 and the unaudited carrying value of the Property as at 30 June 2013 of approximately HK\$264 million. The expenses incurred and expected to be incurred by the Company in connection with the Property Transfer include legal fees and other related costs and expenses, which are considered by the Company to be immaterial with reference to the expected gain arising from the Property Transfer. The actual amount of gain on the Property Transfer to be recognised by the Group, which will depend on a number of factors including final audit and possible audit adjustments and any tax implications, may differ from the above figure, but it is not expected to be materially different, as advised by the Directors.

As stated above, the surplus of approximately HK\$1,966 million will be used to fund the Special Dividend.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### (v) Proposed principal terms of the Lease

The following table sets out the proposed principal terms of the Lease:

<b>Parties:</b>	LCHI (as lessor); and the Company (as lessee)
<b>Premises under the Lease:</b>	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 head office of the Company)  The Company (as licensee) shall be entitled to use (a) 27th floor of the Property on even calendar days; and (b) 28th floor of the Property on odd calendar days. The arrangement enables the Company and LCHI to use the conference rooms on the 27th floor of the Property and the function room and dining facilities on the 28th floor of the Property on alternate days.
<b>Usage of the leased premises:</b>	Head office for the operation of the Company's general banking and financial services businesses
<b>Lease duration:</b>	5 years
<b>Monthly rent:</b>	HK\$5,660,000 (exclusive of service charge, government rent and rates, and outgoings of a non-capital and recurring nature)
<b>Option to renew:</b>	The Company has option to renew for a further term of 5 years, and the monthly rent during the renewed term will be at the prevailing open market rent

The Directors estimate that the annual rentals payable to LCHI under the Lease during its five year duration will not exceed HK\$67.92 million, which is equivalent to the total fixed monthly rental payments during the five year duration of the Lease.

### (vi) Evaluation of the monthly rental under the Lease

The Group has obtained an opinion from Vigers that the monthly rent of HK\$5,660,000 for the leased premises under the Lease reflects current market rentals as at 4 December 2013 and the proposed duration of the Lease of five years (with an option for the Company to renew for a further term of five years) is normal business practice for a bank to secure premises for its head office. Based on our discussion with Vigers, in arriving its opinion, Vigers has made reference to comparable market rentals as available in the vicinity, an approach which is commonly used for assessment of the fairness and reasonableness of rent for a tenancy of a property. In addition, for assessment purpose, Vigers regards the enjoyment of use of the two floors (27th and 28th floor) of different

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

functions on even and odd calendar days equivalent to the enjoyment of use of a single floor on every calendar day. Accordingly, Vigers has assessed the rental of using the two floors as the rental of using a single floor for every calendar day within the lease term.

### **(vii) Duration of the Lease**

#### ***(a) Reasons for the duration of the Lease exceeding three years***

The Lease will be for a duration of five years from completion of the Property Transfer and the Company has the option to renew the Lease for a further term of five years. The reasons why the Lease requires to be of a duration of longer than 3 years mainly relate to two factors. Firstly, stringent security requirements are necessary for the safe operation of a bank and it may be time consuming to secure suitable alternative premises which satisfy such requirements. Secondly, it is difficult to secure suitable alternative premises, particularly in the central business district, of sufficient size to accommodate the Company's core operations in one place for operational efficiency. Accordingly, the Directors consider that the five year period of the Lease is necessary to ensure smooth running of the Company's operations during the transitional period. As set out in the opinion letter of Vigers dated 4 December 2013, Vigers has researched leases entered into by various banking groups at certain prime office locations and considers that the proposed duration of the Lease of five years (with an option for the Company to renew for a further term of five years) is normal business practice for a bank to secure premises for its head office.

#### ***(b) Third party agreements***

For the purpose of ascertaining whether the duration of the Lease for a period exceeding three years is necessary and fair and reasonable, we have reviewed the sale and leaseback arrangements set out in sub-paragraph (1) below and certain other long term leases entered into by banking groups set out in sub-paragraphs (2) and (3) below.

##### ***(1) Sale and leaseback of headquarters or head office***

We have searched publicly available information on a best efforts basis regarding the sale and leaseback of headquarters or head offices of Hong Kong banking groups. We have identified two cases, details of which are set out below:

Headquarters building of HSBC Holdings plc ("HSBC") in Canary Wharf, London

It was announced by HSBC on its website that on 31 May 2007, HSBC entered into a contract for the sale and leaseback of its head office building in Canary Wharf, London for £1.09 billion (equivalent to approximately HK\$16.83 billion at an exchange rate of £1 = HK\$15.44 as at 31 May 2007) with Metrovacesa, S.A. Under the terms of this

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

arrangement, HSBC leased the building back for 20 years. However, as a result of the significant market disruption that had impacted the availability of term funding, the parties came to an agreement that the building would be handed back to HSBC.

It was subsequently announced by HSBC on 13 November 2009 on its website that a wholly owned subsidiary of HSBC agreed the sale of 8 Canada Square, Canary Wharf, London to the National Pension Service of Korea for £772.5 million (equivalent to approximately HK\$9,988.43 million at an exchange rate of £1 = HK\$12.93 as at 13 November 2009) in cash. As stated in the announcement, the National Pension Service of Korea, one of Asia's largest sovereign investors, operates primarily the national pension scheme. It was further stated in the announcement that under the terms of the agreement, HSBC would retain occupancy for the remaining 17.5 years of the 20 year leaseback period mentioned above at the then current rent of £46 million per annum. CB Richard Ellis Limited and Linklaters LLP acted for HSBC, and JP Morgan Asset Management and Berwin Leighton Paisner acted for National Pension Service of Korea in this sale transaction.

It was not stated in the announcement whether the sale price was determined at then prevailing market price. However, given that (a) HSBC is a listed company which is obligated to safeguard interests of its shareholders; (b) the National Pension Service of Korea is a sovereign investor; and (c) external professional advisers assisted the parties, we consider that the sale price was determined after arm's length negotiations.

The sale and leaseback of HSBC's head office building in Canary Wharf, London is used to illustrate the fact that banks may not necessarily own their headquarters but utilise the type of sale and leaseback arrangement contemplated under the Property Agreement between the Company and LCHI. Certain aspects of the property market in London are different from that in Hong Kong, for example, property price and rent. However, in determining the duration of leaseback arrangement, we are of the view that the parties would consider, among other things, time required to find alternative premises as new headquarters so as to ensure operation of the business will not be affected after the disposal. In this respect, the different property market conditions in London are not likely to have material impact on the duration of the leaseback arrangement. Thus, the sale and leaseback of HSBC's head office building in Canary Wharf, London is included in our assessment regarding the duration of the Lease.

Hong Kong head office of Standard Chartered Bank ("SCB")

We note from the website of Hang Lung Properties Limited ("Hang Lung") (formerly known as "Amoy Properties Limited") that the Standard Chartered Bank Building at 4-4A Des Voeux Road Central, Hong Kong

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

was acquired by the Hang Lung group in 1992. Based on land search records, the Standard Chartered Bank Building was acquired from SCB, and a member of the Hang Lung group leased a number of floors of the offer tower and car parking spaces on lower ground floor of the Standard Chartered Bank Building to SCB from 30 December 1993 to 24 September 2012 (i.e. approximately 18.7 years). It was a term of the sub-lease agreement that the rent was subject to review as of 31 December 1996 and every third anniversary of such date. It was further stated in the sub-lease agreement that if parties could not reach an agreement regarding the revised rent, the revised rent had to be determined by a valuer who should decide the revised rent at which the premises might reasonably be expected to be let in the open market. The relevant sale and purchase agreements did not specify whether the sale price was determined at then prevailing market price. Since (a) both SCB and Hang Lung are listed companies which have to safeguard interests of their respective shareholders; and (b) the mechanism to determine the revised rent when parties cannot reach an agreement is based on open market, we are of the view that the sale price was determined by parties after arm's length negotiations.

We consider the circumstances of the Lease are broadly similar to the arrangements made by HSBC and SCB to sell substantial offices premises and lease them back on a long term basis.

(2) *Search on registered office/head office and principal place of business addresses of certain banks in Hong Kong*

We have conducted a search on Bloomberg on a best efforts basis for banks listed on the Stock Exchange with over 50% of their revenue derived from banking operations in Hong Kong based on their latest interim reports (the "Local Banks"). On this basis, five banks were identified namely (i) BOC Hong Kong (Holdings) Limited; (ii) Hang Seng Bank Limited; (iii) Wing Hang Bank, Limited; (iv) Public Financial Holdings Limited; and (v) Dah Sing Banking Group Limited ("Dah Sing Banking"). Based on the land searches conducted on 29 November 2013 on the registered office/head office and principal place of business addresses in Hong Kong of these five banks as shown in their financial reports, we note from the land register maintained by the Land Registry that except for Dah Sing Banking, the other four banks are owners of the premises at those addresses respectively. Based on this research, the majority of the Local Banks own their headquarters and consequently we do not regard the Property Transfer as in the ordinary course of business of the Company. However, as one Local Bank, Dah Sing Banking, leased its headquarters, we consider the duration of this lease can be used to assess the duration of the Lease.

For Dah Sing Banking, its registered office address shown in its 2012 annual report is at 36/F, Dah Sing Financial Centre, No.108 Gloucester Road, Hong Kong. We note from the Land Registry record that Dah Sing Bank, Limited ("DSB"), a wholly-owned subsidiary of Dah Sing Banking as stated in



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

its latest interim report, was a tenant of the premises at Suites 3107–3110 on 31/F, 33/F to 37/F, and Shop B on G/F and 1/F at Dah Sing Financial Centre, No.108 Gloucester Road, Hong Kong, with a lease duration of six years commencing on 1 December 2003 (the “DSB Head Lease”). We note from the prospectus of Dah Sing Banking dated 18 June 2004 that Dah Sing Banking disclosed continuing connected transactions following its listing (including those continuing connected transactions that were exempt from reporting, announcement and independent shareholders’ approval requirements). The DSB Head Lease was not disclosed as a continuing connected transaction in the prospectus. Accordingly, the DSB Head Lease was an independent third party transaction under the Listing Rules.

We further note from the prospectus of Dah Sing Banking that DSB entered into a sub-lease agreement with a parent group company to sub-lease a portion of 33/F of the Dah Sing Financial Centre (the “Sub-leased Premise”) commencing on 1 January 2004 and ending on 31 December 2006 (both dates inclusive). The sub-lease agreement entered into by DSB suggested that Dah Sing Banking did not own its registered office.

We further note from the announcement of Dah Sing Banking dated 30 December 2010 that a sub-lease agreement was entered into between DSB and a parent group company on 30 December 2010 relating to the sub-lease of certain portion of the Sub-leased Premise with previous sub-lease agreement expired on 30 November 2009. This suggested that the DSB Head Lease had been renewed. However, no further leases in respect of the registered office of Dah Sing Banking were shown in the Land Registry record since the expiry of the DSB Head Lease.

It was a term of the DSB Head Lease that the rent was subject to review as at 1 December 2006. It was further stated in the DSB Head Lease that the revised rent should be the best market rent without any deduction whatsoever at which the premises might reasonably be expected to be let as a whole in the open market without a fine or premium and with vacant possession.

### *(3) Leases in the International Commerce Centre (“ICC”) in West Kowloon*

As a third check on the duration of the Lease, we have reviewed large, recently completed, first class commercial buildings in Hong Kong in locations attractive to banking groups with a view to obtaining a good sample of recent leases by banking groups. We have selected ICC in West Kowloon as the most representative building for this purpose as it is owned by an independent landlord and a number of leading banking groups have chosen it as their principal office in Hong Kong, as set out in the table below. As we understand most commercial landlords in Hong Kong tend to prefer relatively short office leases (typically 3 years), we consider that the longer leases held by banking groups in ICC are most likely to be as a result of the requirements of those banking groups, not the landlord.



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Based on the land searches conducted on 30 October 2013, we note from the land register maintained by the Land Registry that a number of banking groups are tenants of site G, the office accommodation of ICC, with details as below:

<b>Tenant</b>	<b>Duration of lease</b>
ABN Amro Bank N.V.	6 years, 6 years and 8 months, and 6 years with option of renewal for a duration of 3 years
China CITIC Bank International Limited (formerly known as “CITIC Bank International Limited”)	10 years
Credit Suisse Holdings (Hong Kong) Limited (“Credit Suisse HK”)	12 years with option of renewal for a duration of 3 years and a further option of renewal for a further duration of 3 years
Deutsche Bank	10 years with option of renewal for a duration of 3 years and a further option of renewal for a further duration of 3 years
EFG Bank AG	6 years with option of renewal for a duration of 3 years
Hana Bank, Hong Kong branch	6 years
ICICI Bank Limited (“ICICI Bank”)	2 years with option of renewal for a duration of 3 years, and 5 years with option of renewal for a duration of 3 years
Morgan Stanley Asia Limited (“Morgan Stanley Asia”)	10 years
Natixis	6 years and 2 months
Shinhan Bank	5 years with option of renewal for a duration of 3 years

We have searched on the website of The Hong Kong Association of Banks (the “HKAB”) and noted that, except for Credit Suisse HK and Morgan Stanley Asia, all the banks shown in the table above are member banks of the HKAB (the “Member Banks”). The Company is also a member of HKAB. Thus, these eight Member Banks together with the Company are engaged in banking business in Hong Kong. As shown on the website of the HKAB, except for China CITIC Bank International Limited, all the addresses of these seven

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Member Banks are at site G of ICC of which their respective lease periods are summarised in the table above. Accordingly, offices at ICC of these seven Member Banks are their respective main offices, headquarters or principal places of business in Hong Kong. The leased premises under the Lease shall be the head office of the Company as discussed above (i.e. similar usage with offices at ICC of these seven Member Banks). Both Credit Suisse HK and Morgan Stanley Asia are members of leading international investment banking groups with investment banking business in Hong Kong. As discussed above, ICC offices are their respective headquarters in Hong Kong (i.e. similar usage with leased premises under the Lease). On this basis, we consider that the leases as shown in the table above are fair and representative samples. The leases of office accommodation shown in the table above are for fixed periods ranging from 2 years to 12 years. ICICI Bank, which holds the shortest lease, leases two premises in ICC with different lease periods ((a) 2 years with option of renewal for a duration of 3 years; and (b) 5 years with option of renewal for a duration of 3 years). We note from the website of the HKAB that the address of ICICI Bank refers to the premise with lease period of 5 years with option of renewal for a duration of 3 years (i.e. the longer lease period). With the exception of the shorter lease of ICICI Bank, the banking leases of office accommodation of ICC are for periods ranging from 5 years to 12 years. Some of tenancy leases shown in the table above include tenants' options to renew the leases for a further period of time.

Both HSBC and SCB are major banks in Hong Kong. Considering also the lease period of HSBC headquarters in Canary Wharf and Hong Kong head office of SCB as set out in the paragraph headed "Sale and leaseback of headquarters or head office" above, and the duration of the DSB Head Lease as set out in the paragraph headed "Search on registered office/head office and place of business addresses of certain banks in Hong Kong" above, the lease period (excluding the shorter lease period of ICICI Bank) will be in a range of between 5 years and 18.7 years. The duration of the Lease is five years with option to renew the Lease for a further duration of five years. Accordingly, the fixed duration of 5 years of the Lease is within this range. If the option is exercised by the Company, the duration of the Lease shall become 10 years which is still within this range.

On the above basis, we are of the opinion that the duration of the Lease of five years plus an option to renew for five years is in line with normal business practice for office leases by banks and that in view of the difficulties of moving a bank headquarters referred to above, it is necessary for the Lease to be of a duration longer than three years.

### DISCUSSION AND ANALYSIS

The Property Agreement has been entered into in the context of the Partial Offer and its completion depends on the Partial Offer becoming unconditional. If the Partial Offer does become unconditional, the Offeror will control the Board and will be able to set policy.

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The Offeror has decided that the Company does not need to own its own headquarters to run its banking business. In these circumstances, the Property Transfer is a logical step.

The consideration payable to the Company under the Property Transfer is equal to the independent professional valuation by Vigers. We have discussed the valuation with Vigers and consider its methodology appropriate and its basis and assumptions reasonable.

The Company is estimated to make a substantial non-recurring gain of approximately HK\$1,966 million on completion of the Property Transfer. The whole of the surplus of the consideration over the carrying value will be used by the Company to fund the Special Dividend of HK\$4.5195 per Share to the Shareholders. This is in addition to the amount payable to the Shareholders who accept the Partial Offer.

To find suitable alternative premises and arrange to move complex operations will take time. To cater for this transitional period, the Lease has been arranged and lasts for more than three years, which we consider normal business procedure for a banking group in the circumstances. Vigers has informed the Company that the rental payable under the Lease reflects the current market rentals.

### OPINION AND RECOMMENDATION

Having taken into account the above principal factors set out in this letter and summarised in the section headed “Discussion and analysis” above, we consider that the Property Transfer is not in the ordinary and usual course of business of the Company. We also consider that the Property Agreement is on normal commercial terms and that such terms are fair and reasonable so far as the Independent Shareholders are concerned, and that the entering into of the Property Agreement is in the interests of the Company and the Shareholders as a whole.

On the basis set out in the sub-section headed “Duration of the Lease” above, we concur with the Directors’ view that a period longer than 3 years is required for the Lease. Based on our research into other sale and leaseback arrangements and leases by banking groups summarised above, we consider that it is normal business practice for the duration of a lease of a similar nature to the Lease to exceed 3 years.

Accordingly, we advise the Independent Board Committees to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Property Agreement.

Yours faithfully,  
for and on behalf of  
**SOMERLEY LIMITED**  
**M.N. Sabine**    **Richard Leung**  
*Chairman*        *Director*

Part A of this Appendix I is an extract from the Joint Announcement containing information on the Partial Offer. Part B of this Appendix I is an extract from the Joint Announcement containing information on the LCHI Irrevocable Undertaking. Capitalised terms used in Part A and Part B of this Appendix have the meanings ascribed to them in the “Definitions” section of the Joint Announcement. Further information about the Partial Offer will be set out in the Composite Document.

Information reproduced from the Joint Announcement reflects the situation as at the date of the Joint Announcement.

The Joint Announcement contains the following responsibility statements:

*“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*

**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)	
	Number of CHB Shares	Approx. %	Number of CHB Shares	Approx. %	Number of CHB Shares	Approx. %
LCHI (Notes 1, 5)	218,359,628	50.20	0	0	54,589,907	12.55
Alba	2,263,211	0.52	0	0	565,803	0.13
					(Note 4)	
Bauhinia (Note 2)	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 (Note 3)	2,397,494	0.55	2,397,494	0.55	599,374	0.14
					(Note 4)	
Public (as defined in the Listing Rules) excluding Bauhinia (Note 6)	124,979,667	28.73	124,979,667	28.73	31,244,916	7.18
<b>Total</b>	<b>435,000,000</b>	<b>100</b>	<b>435,000,000</b>	<b>100</b>	<b>435,000,000</b>	<b>100</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<sup>1</sup> arising from such sale) are estimated to be HK\$5,824 million<sup>2</sup>, 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

<sup>1</sup> Since the publication of the Joint Announcement, the estimated expenses arising from the sale of the LCH Estate IU Shares under the Partial Offer have been revised from approximately HK\$15 million to approximately HK\$20 million.

<sup>2</sup> Due to the revision of the expenses figure, the net proceeds of the sale of 75 per cent. of the LCH Estate IU Shares under the Partial Offer are now estimated to be HK\$5,819 million (mathematical calculation).

million and expenses of approximately HK\$15 million<sup>1</sup> arising from such sale) are estimated to be HK\$7,770 million<sup>3</sup>, 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.

<sup>3</sup> Due to the revision of the expenses figure, the net proceeds of the sale of all of the LCH Estate IU Shares under the Partial Offer are now estimated to be HK\$7,765 million (mathematical calculation).

*The following is the full text of a letter and valuation certificate prepared for the purpose of inclusion in this circular by Vigers, an independent qualified property valuer, in connection with the valuation as at 25 October 2013 of the Property which is to be transferred by the Company to LCHI.*

**Vigers Appraisal and Consulting Limited**  
International Property Consultants  
10/F, The Grande Building  
398 Kwun Tong Road, Kowloon, Hong Kong  
Tel: (852) 2342-2000  
Fax: (852) 3101-9041  
E-mail: gp@vigers.com  
www.Vigers.com



4 December 2013

The Board of Directors  
Chong Hing Bank Limited (“**CHB**”)  
Ground Floor  
Chong Hing Bank Centre  
24 Des Voeux Road Central  
Central  
Hong Kong

AND

The Board of Directors  
Liu Chong Hing Investment Limited (“**LCHI**”)  
25th Floor  
Chong Hing Bank Centre  
24 Des Voeux Road Central  
Central  
Hong Kong

(collectively referred to as the “**Companies**”)

Dear Sirs,

In accordance with your joint instructions for us to value on a 100% interest basis of “Chong Hing Bank Centre”, No. 24 Des Voeux Road Central, Central, Hong Kong (the “**Property**”) which is to be transferred by CHB to LCHI, we confirm that we have inspected the Property, made relevant enquiries and investigations as well as obtained such further information as we consider necessary for the purpose of providing our opinion of market value of the unencumbranced leasehold interest of the Property as at 25 October 2013 (the “**Valuation Date**”). It is our understanding that this valuation report is to be reproduced in circulars to the shareholders of the Companies.



**BASIS OF VALUATION**

Our valuation is our opinion of market value of the Property which is defined as intended to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”. Our valuation has been prepared in accordance with The HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors (“HKIS”), relevant provisions in the Companies Ordinance, The Codes on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (Main Board) published by The Stock Exchange of Hong Kong Limited. Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

**VALUATION APPROACH**

We have valued the tenanted portions of the Property on the basis of capitalization of net rental income derived from the existing tenancies with allowance onto the reversionary interest by making reference to comparable market transactions. In valuing the portions of the Property which are occupied by the owner, we have employed the direct comparison method whereby comparisons based on transactions on actual sales of comparable properties have been made. Comparable properties with similar character, location, sizes and so on are analyzed and carefully weighed against all respective advantages and disadvantages of the Property in order to arrive at a fair comparison of value.

**TITLE INVESTIGATION**

We have conducted land search for the Property at the Land Registry but we have not searched any original documents to ascertain ownership nor to verify any lease amendments which may not appear on the copies handed to us. We are not aware of any investigations, notices, pending litigation, breaches of law, title defect, easement or rights of way affecting the Property and our valuation has been made on the assumption that there is none.

**VALUATION ASSUMPTIONS**

Our valuation has been made on the assumption that the Property can be sold in the prevailing market in existing state without the effect of any deferred term contract, joint venture, management agreement or any other similar arrangement which may serve to affect the value of the Property, unless otherwise noted or specified. In addition, no account has been taken into of any option or right of pre-emption concerning or affecting the sale of the Property.

In our valuation, we have assumed that the owner of the Property has free and uninterrupted rights to use and assign the Property during the whole of the unexpired lease term granted subject to the payment of usual Government Rent. Our valuation for the Property is carried out on the basis of cash purchase, and no allowance has been made for interest and/or funding cost in relation to the sale or purchase of the Property.



We had carried out on-site inspection to the Property but no soil investigation has been carried out to determine the suitability of ground conditions or services for any property development erected or to be erected on the Property. Our valuation has been carried out on the assumption that these aspects are satisfactory. We have also assumed that all necessary consents, approvals and licences from relevant government authorities have been or will be granted without onerous conditions or delay.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property or any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the Property is free from any encumbrances, restrictions and outgoings of an onerous nature which may serve to affect the value of the Property.

We have not carried out on-site measurement to verify the correctness of the site and floor areas in respect of the Property but we have assumed that the site and floor areas shown on the documents handed to us are accurate and reliable.

### VALUATION CONSIDERATION

Inspection to the Property, including the exterior and portion of the interior thereof, was carried out by Mr. David W. I. Cheung *MRICS MHKIS RPS(GP) CREA* and Mr. Eric W. L. Tang *MRICS* on 16 September 2013. During the course of our inspection, we did not note any serious defect.

However, no structural survey nor test on any of the services has been made and we are therefore unable to report as to whether the Property is free from rot, infestation or other structural or non-structural defect. Having examined all relevant documents, we have relied to a considerable extent on the information given by CHB, particularly in respect of planning approvals or statutory notices, easements, site areas, floor areas, occupancy status and in the identification of the Property.

Unless otherwise stated, all dimensions, measurements and areas included in the attached Valuation Certificate are based on the information contained in the documents provided to us by CHB and are therefore approximations. We have had no reason to doubt the truth, accuracy or completeness of the information made available to us.

### REMARKS

We declare hereby that we are independent to the Companies and we are not interested directly or indirectly in any share in either Company or in any member of either Company. We do not have any right or option whether legally enforceable or not to subscribe for or to nominate persons to subscribe for any share in either Companies or in any member of either Company. We confirm that we have no material connection with any of the other parties to the proposed disposal by CHB to LCHI of the Property or with any of the parties to any related transactions.

The potential tax liabilities which would arise on the disposal of the Property include profit tax (16.5% on profits). As advised by LCHI, the likelihood of such potential profit tax liabilities being crystallized is remote for LCHI as LCHI has no intention to further dispose of the Property.

Unless otherwise stated, all monetary amounts stated herein are denoted in the currency of Hong Kong Dollars (“**HK\$**”), the lawful currency of Hong Kong.

We enclose herewith our Valuation Certificate.

Yours faithfully,  
For and on behalf of  
**VIGERS APPRAISAL AND CONSULTING LIMITED**

**David W. I. Cheung**  
MRICS MHKIS RPS(GP) CREA  
*Executive Director*

**Eric W. L. Tang**  
MRICS  
*Associate Director*

*Note:* Mr. David W. I. Cheung is a Registered Professional Surveyor in General Practice Division with over 30 years’ valuation experience on property in various regions including Hong Kong, Macao, the PRC, Taiwan, Japan, the United Kingdom, Canada and the United States of America, who has been vetted on the list of property valuers for undertaking valuations for incorporation or reference in listing particulars and circulars and valuations in connection with takeovers and mergers published by The Hong Kong Institute of Surveyors, and is suitably qualified for undertaking valuations relating to listing exercises. Mr. Cheung has 7-year of experience with Vigers Appraisal and Consulting Limited.

Mr. Eric W. L. Tang is a Member of the Royal Institution of Chartered Surveyors with over 10 years’ valuation experience on property in various regions including Hong Kong, Macao and the PRC. Mr. Tang has 6-year of experience with Vigers Appraisal and Consulting Limited.

## VALUATION CERTIFICATE

## Property held by CHB for owner occupation and investment purposes in Hong Kong

Property	General Description	Occupancy Status	Market Value in Existing State as at 25 October 2013
<p>“Chong Hing Bank Centre”, No. 24 Des Voeux Road Central, Central, Hong Kong</p> <p>All those shares or parts registered in the Land Registry as The Remaining Portion of Section A of Marine Lot No. 62</p>	<p>Located in the downtown prime commercial area on Hong Kong Island and completed in 2006, “Chong Hing Bank Centre” (the “<b>Property</b>”) comprises a 24-storey office building erected above the retail premises on ground floor and first floor.</p> <p>According to a copy of a set of approved General Building Plans, the Property has a site area of approximately 7,087 square feet (658.404 square metres) and a total plot ratio gross floor area of approximately 108,141 square feet (10,046.596 square metres).</p> <p>The Property is held under Government Lease for a term of 979 years commencing on 25 June 1863 subject to the non-offensive trade clauses with Government Rent payable of HK\$128 per annum.</p>	<p>Upon our inspection and according to the information provided by CHB, 2nd floor, portion of 3rd floor, 5th floor, 21st floor, 22nd floor, 23rd floor and 25th floor of the Property have been leased to its wholly-owned subsidiaries and ultimate holding company at an aggregate monthly rent of HK\$1,385,850 (exclusive of Government Rent, Rates and management fees) with the last expiry date on 30 April 2015; whilst the remainder of the Property are owner-occupied as its head office.</p>	HK\$2,230,000,000

*Notes:*

1. The current registered owner of the Property is “LIU CHONG HING BANK LIMITED” (the former name of CHB) vide Memorial No. 06031101470029 dated 14 February 2006.
2. According to the recent land registration record, the Property is subject to the following salient encumbrances:
  - i. No-objection Letter from The Government of The HKSAR by the District Lands Officer / Hong Kong West re ML 62 S.A vide Memorial No. UB9007751 dated 1 September 2003; and
  - ii. Undertaking Letter from Right Way Investments Limited to The Building Authority re ML 62 S.A vide Memorial No. 05042201810027 dated 10 January 2005.
3. The Property lies on an area zoned as “Commercial” under Approved Central District Outline Zoning Plan (No.: S/H4/14).
4. The Property is situated in Central District, the central business district area of Hong Kong. Developments in the area comprise mainly medium to high-rise commercial buildings and bank headquarters. The average selling prices of ground floor retail shops in Central District vary from about HK\$85,000 to HK\$140,000 per square foot on saleable area basis; whilst the average selling prices of office property in Central District vary from about HK\$16,900 to HK\$21,000 per square foot on gross floor area basis.

5. Inspection to the Property, including the exterior and portion of the interior thereof, was carried out by Mr. David W. I. Cheung *MRICS MHKIS RPS(GP) CREA* and Mr. Eric W. L. Tang *MRICS* on 16 September 2013. During the course of our inspection, no serious defect was noted; and the condition of the Property is considered to be reasonable. The Property is mainly finished with curtain walling; and the majority of the interior of the Property are finished with carpeted floor, panelled walls and suspended ceiling. Supply of electricity, water and drainage are available. Centralized air-conditioning system and sprinkler system are installed throughout the Property. Neither structural survey nor test on any services was made; and hence we are unable to report as to whether the Property is free from rot, infestation or other structural or non-structural defect.

## 1. RESPONSIBILITY STATEMENT

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

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

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, the interests of the Directors and the chief executive in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

### Interests in the Shares and underlying shares and debentures of the Company and its associated corporations

#### (A) The Company

Name of Director	Long/Short position	Number of ordinary shares held			Total interests	Total interests as approximate % of the relevant issued share capital
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)		
Dr. Liu Lit Mo <i>Chairman</i>	Long	1,002,450	—	258,359,628 <i>(Note 1)</i>	259,362,078	59.62%
	Short	—	—	218,359,628 <i>(Note 4)</i>	218,359,628	50.20%
Mr. Liu Lit Chi <i>Deputy Chairman and Managing Director</i>	Long	313,248	—	260,622,839 <i>(Notes 1 &amp; 2)</i>	260,936,087	59.99%
	Short	—	—	220,622,839 <i>(Notes 4 &amp; 5)</i>	220,622,839	50.72%

Name of Director	Long/Short position	Number of ordinary shares held			Total interests	Total interests as approximate % of the relevant issued share capital
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)		
Mr. Don Tit Shing Liu <i>Deputy Chief Executive Officer</i>	Long	15,000	—	—	15,000	0.003%
Dr. Robin Yau Hing Chan	Long	48,400	—	1,018,000 <i>(Note 3)</i>	1,066,400	0.25%
Mr. Timothy George Freshwater	Long	396	—	—	396	0.00009%

*Notes:*

1. 258,359,628 Shares are attributed as follows:
  - i. 218,359,628 Shares held by LCHI's wholly-owned subsidiary, LCH Estate, in which each of Dr. Liu Lit Mo and Mr. Liu Lit Chi is deemed under the SFO to be interested through L. Holdings, a private company holding approximately 43.81% of the issued and fully-paid share capital in LCHI; and
  - ii. 40,000,000 Shares held by BTMU. Pursuant to an agreement in 1994, BTMU has granted an option to LCH Estate exercisable at any time during the term of that agreement to purchase all such Shares and BTMU is required to offer to sell all such Shares to LCH Estate in certain circumstances. By virtue of the interests of Dr. Liu Lit Mo and Mr. Liu Lit Chi in LCH Estate through L. Holdings, each of them is deemed under the SFO to be interested in such Shares.
2. 2,263,211 Shares are held by Alba, shareholders of which include Mr. Liu Lit Chi and his associates. Accordingly, Mr. Liu Lit Chi is deemed under the SFO to be interested in such Shares.
3. 1,018,000 Shares are held collectively by Asia Panich Investment Company (Hong Kong) Limited and United Asia Company Limited. These corporations or their directors are accustomed to acting in accordance with Dr. Robin Yau Hing Chan's directions or instructions.
4. 218,359,628 Shares are the LCH Estate IU Shares, in which each of Dr. Liu Lit Mo and Mr. Liu Lit Chi is deemed under the SFO to be interested through L. Holdings. On 25 October 2013, Yuexiu, LCHI, LCH Estate, L. Holdings and Alba entered into the LCHI Irrevocable Undertaking, under which, among other things, 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.

5. 220,622,839 Shares are the IU Shares, which comprise (i) the LCH Estate IU Shares in which each of Dr. Liu Lit Mo and Mr. Liu Lit Chi is deemed under the SFO to be interested through L. Holdings; and (ii) 2,263,211 Shares held by Alba, 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. Pursuant to the LCHI Irrevocable Undertaking, Alba has irrevocably undertaken to Yuexiu that the Partial Offer will be accepted by Alba in respect of all of the Shares held by it not later than three business days after the Despatch Date and that Alba will not withdraw such acceptance.

Name of Director	Long/Short position	Amount of debentures			Total interests
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)	
Mr. Christopher Kwun Shing Liu	Long	US\$200,000 6% notes due 2020 (Note 1)	—	—	US\$200,000 6% notes due 2020

Note:

- The notes were issued by the Company pursuant to the offering circular dated 28 October 2010 and were listed on the Stock Exchange (stock code: 4327).

## (B) Associated Corporation

### *Liu Chong Hing Investment Limited*

Name of Director	Long/Short position	Number of ordinary shares held			Total interests	Total interests as approximate % of the relevant issued share capital
		Personal interests (held as beneficial owner)	Family interests (interests of spouse or child under 18)	Corporate interests (interests of controlled corporation)		
Dr. Liu Lit Mo <i>Chairman</i>	Long	795,600	—	171,840,189 (Notes 1 & 2)	172,635,789	45.60%
Mr. Liu Lit Chi <i>Deputy Chairman and Managing Director</i>	Long	141,668	—	210,963,253 (Notes 1 & 3)	211,104,921	55.76%
Mr. Timothy George <i>Freshwater</i>	Long	7,920	—	—	7,920	0.002%

Notes:

- 165,840,189 LCHI Shares are beneficially held by L. Holdings, shareholders of which include Dr. Liu Lit Mo and Mr. Liu Lit Chi. Accordingly each of Dr. Liu Lit Mo and Mr. Liu Lit Chi is deemed under the SFO to be interested in such LCHI Shares.
- 6,000,000 LCHI Shares are beneficially held by Eternal Wealth Limited, shareholders of which include Dr. Liu Lit Mo and his associates. Accordingly, Dr. Liu Lit Mo is deemed under the SFO to be interested in such LCHI Shares.

3. 45,123,064 LCHI Shares are beneficially held by Alba, shareholders of which include Mr. Liu Lit Chi and his associates. Accordingly, Mr. Liu Lit Chi is deemed under the SFO to be interested in such LCHI Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which has been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, has been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or has been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

#### **Other interests**

Dr. Liu Lit Mo, being an executive Director and the chairman of the Board, is a director of L. Holdings, an executive director and the chairman of LCHI and a director of LCH Estate. Mr. Liu Lit Chi, being an executive Director, deputy chairman and managing director of the Board, is a director of L. Holdings, an executive director of LCHI and a director of LCH Estate. Mr. Wilfred Chun Ning Liu, being an executive Director, is a non-executive director of LCHI. Mr. Christopher Kwun Shing Liu, being a non-executive Director, is an alternate director of L. Holdings, an executive director of LCHI and a director of LCH Estate. Mr. He Jiale, being a non-executive Director, is the Financial Controller of COSCO (Hong Kong) Group Limited. Mr. Meng Qinghui, being a non-executive Director, is the Managing Director of Finance Division of COSCO (Hong Kong) Group Limited. Mr. Hidekazu Horikoshi, being a non-executive Director, is the Executive Officer, Regional Head for Hong Kong and General Manager of the Hong Kong Branch of BTMU.



### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Company, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of substantial shareholder	Long/Short position	Capacity	No. of ordinary Shares held	Total interests (approximate % of the relevant issued share capital)
LCH Estate	Long	Beneficial owner	218,359,628 (Notes 1 & 3)	50.20%
	Short	Beneficial owner	218,359,628 (Note 4)	50.20%
LCHI	Long	Interest of a controlled corporation	218,359,628 (Notes 1 & 3)	50.20%
	Short	Interest of a controlled corporation	218,359,628 (Note 4)	50.20%
L. Holdings	Long	Interest of a controlled corporation	218,359,628 (Notes 1 & 3)	50.20%
	Short	Interest of a controlled corporation	218,359,628 (Note 4)	50.20%
Offeror	Long	Beneficial owner	220,622,839 (Note 4)	50.72%
Yuxiu	Long	Interest of a controlled corporation	220,622,839 (Note 4)	50.72%
廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*)	Long	Interest of a controlled corporation	220,622,839 (Note 4)	50.72%
Bauhinia	Long	Beneficial owner	87,000,000 (Note 2)	20.00%
COSCO (Hong Kong) Group Limited	Long	Interest of a controlled corporation	87,000,000 (Note 2)	20.00%
China Ocean Shipping (Group) Company	Long	Interest of a controlled corporation	87,000,000 (Note 2)	20.00%
BTMU	Long	Beneficial owner	42,000,000 (Note 3)	9.66%
Mitsubishi UFJ Financial Group, Inc	Long	Interest of a controlled corporation	42,000,000 (Note 3)	9.66%

*Notes:*

- These interests are the same as those of certain Directors (including the chief executive) disclosed above in the section headed "Disclosure of Interests of Directors and Chief Executive". LCH Estate is a wholly-owned subsidiary of LCHI, a public company listed on the Stock Exchange. L. Holdings, a private company, had an interest of approximately 43.81% in the issued and fully-paid up share capital

of LCHI. The references to the 218,359,628 Shares in question all relate to the same block of 218,359,628 Shares held by LCH Estate, in which each of Dr. Liu Lit Mo, Mr. Liu Lit Chi and Mr. Liu Lit Chung, members of the Liu family, is deemed under the SFO to be interested through L. Holdings.

2. Bauhinia is a wholly-owned subsidiary of COSCO (Hong Kong) Group Limited, which in turn is a wholly-owned subsidiary of China Ocean Shipping (Group) Company. The references to the 87,000,000 Shares in question all relate to the same block of 87,000,000 Shares registered in the name of Bauhinia.
3. BTMU is a wholly-owned subsidiary of Mitsubishi UFJ Financial Group, Inc. The references to the 42,000,000 Shares in question both relate to the same block of 42,000,000 Shares registered in the name of BTMU.

Pursuant to an agreement in 1994, BTMU has granted an option to LCH Estate exercisable at any time during the term of that agreement to purchase 40,000,000 of the 42,000,000 Shares in question and BTMU is required to offer to sell all such 40,000,000 Shares in certain circumstances. By virtue of the respective interests of Dr. Liu Lit Mo, Mr. Liu Lit Chi and Mr. Liu Lit Chung in LCH Estate through L. Holdings, each of them is deemed under the SFO to be interested in such 40,000,000 Shares.

4. 220,622,839 Shares are the IU Shares, which comprise (i) the LCH Estate IU Shares held by LCH Estate; and (ii) 2,263,211 Shares held by Alba. 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; and (ii) Alba has irrevocably undertaken to Yuexiu that the Partial Offer will be accepted by Alba in respect of all the Shares held by it not later than three business days after the Despatch Date and that Alba will not withdraw such acceptance.

The Offeror is wholly owned by Yuexiu. In turn, Yuexiu is a wholly-owned subsidiary of 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited\*).

\* *for identification purpose only*

Other than as stated above, as at the Latest Practicable Date, so far as is known to the Company, no person (other than the Directors and the chief executive of the Company) had any interest or short position, whether beneficial or non-beneficial, in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

#### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the following Directors had interests in the following businesses which were considered to compete or likely to compete, either directly or indirectly, with the businesses of the Group:

<u>Name</u>	<u>Name of the company</u>	<u>Description of the company</u>	<u>Nature of interest of the Director in the company</u>
Dr. Robin Yau Hing Chan	Asia Financial Holdings Limited	Investment holding company with investments in insurance and financial services industries	Executive director and substantial shareholder
Mr. Hidekazu Horikoshi	BTMU	Bank licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO	Executive Officer, Regional Head for Hong Kong and General Manager of BTMU, Hong Kong Branch
	BTMU Nominees (HK) Limited	Provision of nominee services and holding investments as a nominee	Director
	Mitsubishi UFJ Securities (HK) Holdings, Limited	Holding company with investments in securities company	Director
	Dah Sing Financial Holdings Limited	Holding company for Dah Sing Group's general banking and insurance businesses	Non-executive director

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## 5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, there were no contracts or arrangements subsisting in which a Director was materially interested and which was significant in relation to the business of the Group, save for the following:

- (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 have a material interest in the Property Agreement by virtue of their interest in LCHI as shareholders and/or directors and/or as relatives of shareholders and/or directors; and
- (b) Dr. Liu Lit Mo, Mr. Liu Lit Chi, Mr. Don Tit Shing Liu, Mr. Wilfred Chun Ning Liu and Mr. Christopher Kwun Shing Liu have a material interest in the LCHI Irrevocable Undertaking by virtue of their interest in LCHI as shareholders and/or directors and/or as relatives of shareholders and/or directors. In addition, Mr. Liu Lit Chi also has a material interest in the LCHI Irrevocable Undertaking by virtue of his interest in Alba as a shareholder and a director.

As at the Latest Practicable Date, the interests of the Directors and the chief executive in assets which had, since 31 December 2012, been acquired or disposed of by, or leased to, any member of the Group or proposed to be acquired or disposed of by, or leased to, any member of the Group, being the interests of certain Directors in LCHI, the counterparty to the Property Agreement, are set out in the section headed "Disclosure of interests of Directors — associated corporations" of this Appendix.

Save as disclosed in this section headed "Directors' interests in contracts and assets" above, as at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which had been, since 31 December 2012, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by, or leased to, any member of the Group or proposed to be acquired or disposed of by, or leased to, any member of the Group.

## 6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract or a proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 7. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed there was no material adverse change in the financial or trading position of the Group since 31 December 2012, the date to which the latest published audited consolidated financial statements of the Company have been made up.

## 8. INDEPENDENT PROPERTY VALUATION

The market value of the Property was HK\$2,230 million as at 25 October 2013 as indicated in the independent valuation report set out in Appendix II to this circular.

## 9. QUALIFICATIONS AND CONSENT OF EXPERTS

The following are the names and qualifications of the experts who have given opinions or advice contained in this circular:

Name	Qualification
Vigers	Independent qualified property valuer
Somerley	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

Each of Vigers and Somerley has given and has not withdrawn its written consent to the issue of this circular with its letter or report and references to its name in the form and context in which it is included.

Each of Vigers and Somerley has confirmed that as at the Latest Practicable Date, it had no interest, direct or indirect, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Last Practicable Date, neither Vigers nor Somerley had any interest, direct or indirect, in any assets which had been, since 31 December 2012 (being the date to which the latest published audited consolidated financial statements of the Company have been made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's office on the 19th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Property Agreement;
- (b) the valuation report on the Property prepared by Vigers as set out in Appendix II to this circular; and
- (c) a copy of this circular.

**11. MISCELLANEOUS**

- (a) The registered office of the Company is at Ground Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong.
- (b) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Mr. Michael Kin Wah Yeung.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

## NOTICE OF EXTRAORDINARY GENERAL MEETING



# 創興銀行有限公司 Chong Hing Bank Limited

(a Hong Kong-incorporated limited liability company)

(Stock code: 1111)

## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Chong Hing Bank Limited (the “Company”) will be held at 11:00 a.m. on 20 December 2013 on the 27th Floor, Chong Hing Bank Centre, 24 Des Voeux Road Central, Hong Kong, or any adjournment thereof, for the purpose of considering and, if thought fit, passing (with or without amendments) the following ordinary resolution of the Company:

### ORDINARY RESOLUTION

“**THAT** the entry into by the Company of the Property Agreement dated 25 October 2013 (a copy of which has been produced to the meeting and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved (terms defined in the circular of the Company dated 4 December 2013 having the same meanings when used in this resolution).”

By Order of the Board  
**Michael K W Yeung**  
*Company Secretary*

Hong Kong, 4 December 2013

#### *Notes:*

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote in his stead. A member who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the Company’s Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
3. As at the date hereof, the Board of Directors of the Company comprises Executive Directors: Dr. Liu Lit Mo, Mr. Liu Lit Chi, Mr. Lau Wai Man, Mr. Don Tit Shing Liu and Mr. Wilfred Chun Ning Liu; Non-executive Directors: Mr. He Jiale, Mr. Hidekazu Horikoshi, Mr. Christopher Kwun Shing Liu, Mr. Alfred Cheuk Yu Chow and Mr. Meng Qinghui; and Independent Non-executive Directors: Dr. Robin Yau Hing Chan, Mr. Timothy George Freshwater, Mr. Wanchai Chiranakhorn, Mr. Cheng Yuk Wo and Mr. Andrew Chiu Cheung Ma.