

NOMURA

Nomura International (Hong Kong) Limited
30/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

15 January 2014

To the Qualifying CHB Shareholders

Dear Sir or Madam,

INTRODUCTION

On 25 October 2013, Yuexiu, the Offeror, CHB and LCHI jointly announced that Nomura would, on behalf of the Offeror, make a pre-conditional voluntary cash partial offer to acquire a maximum of 326,250,000 CHB Shares (representing 75% of the CHB Shares in issue as at the date of the Announcement) from the Qualifying CHB Shareholders at the Offer Price of HK\$35.69 per CHB Share. The making of the Partial Offer was subject to the satisfaction of the Pre-Condition, being the granting of approval by the HKMA for each of 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). On 9 January 2014, Yuexiu, the Offeror and CHB jointly announced that the Pre-Condition had been satisfied.

This letter forms part of this Composite Document and sets out certain background information of Yuexiu and the Offeror, the reasons for making the Partial Offer and the intentions of the Offeror in relation to CHB. The terms of the Partial Offer are set out in this letter, Appendix I to this Composite Document and in the accompanying Form of Acceptance.

Your attention is also drawn to the letter from the CHB Board on pages 31 to 39, the letter from the CHB Code Independent Board Committee on pages 40 to 41 and the letter from the CHB Independent Financial Adviser on pages 42 to 70 in this Composite Document.

THE PARTIAL OFFER

Nomura is, on behalf of the Offeror, making the Partial Offer on the following basis:

For each CHB Share HK\$35.69 in cash

1. Conditions of the Partial Offer

The Partial Offer was 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% of the CHB Shares in issue as at the date of the 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% of the CHB Shares in issue as at the date of the 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.

As at the Latest Practicable Date, Conditions (b), (c), (d) and (e) have been fulfilled, leaving only the acceptance condition under paragraph 1(a) above to be fulfilled before the Partial Offer can be declared or will become unconditional in all respects.

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 (as defined in the Code) after the despatch date of the Composite Document. 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% of the LCH Estate IU Shares) and up to 218,359,628 CHB Shares (being all of the LCH Estate IU Shares). The percentage of the share capital of CHB made up by all of the LCH Estate IU Shares is 50.2%. Therefore, once LCH Estate tenders its acceptance of the Partial Offer in respect of all of the LCH Estate IU Shares under the LCHI Irrevocable Undertaking, the acceptance condition set out at paragraph 1(a) above will have been met. The Partial Offer is therefore expected to become unconditional prior to the 7th day after the date of this Composite Document.

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 date of this Composite Document, then the Final Closing Date would be on (but no earlier than) the First Closing Date, being 21 days after the despatch date of the Composite Document.

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% or more of the voting rights of a company must normally be conditional on the approval by shareholders holding over 50% 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 granted, a waiver from this requirement on the basis that: (i) LCH Estate, holding greater than 50% of the voting rights of CHB, indicates its approval under Rule 28.5 (which approval was given in the Announcement); and (ii) LCH Estate confirms that it is not acting in concert with the Offeror (which confirmation was given in the Announcement). 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. CHB Shareholders and prospective investors are advised to exercise caution when dealing in the securities of CHB.

2. Comparisons of value

	Share price of CHB HK\$	Premium/ (Discount) of the Offer Price to the share price %
Closing price 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	22.45	59.0
Average closing price as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Date	24.84	43.7
Average closing price as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Date	26.56	34.4
Average closing price as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date	29.46	21.2
Average closing price as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date	32.90	8.5
Average closing price as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Date	34.47	3.5
Average closing price as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Date	35.34	1.0
Closing price as quoted on the Stock Exchange on the Last Trading Date	37.40	(4.6)
Closing price as quoted on the Stock Exchange on the Latest Practicable Date	35.40	0.8

3. Highest and lowest closing prices of CHB Shares

During the Relevant Period, 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\$15.58 per CHB Share on 4 March 2013.

4. Total consideration under the Partial Offer

As at the Latest Practicable Date, there were 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.

5. 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 the Facility. The Offeror does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) relating to the Facility will depend to any significant extent on the business of CHB.

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.

6. 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 (A) the Pre-Condition not being fulfilled by the Long Stop Date, or (B) 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 Conditions (d) and (e) in the section headed “Conditions of the Partial Offer” above not being fulfilled.

7. Entitlements of CHB Shareholders

Upon the Partial Offer becoming unconditional, each CHB Shareholder:

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

8. 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/its 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% of the CHB Shares tendered for acceptance by such CHB Shareholders 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.

9. 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 formula set out in the section headed "Other terms of the Partial Offer" above free from all encumbrances and together with all rights and benefits accruing and attaching thereto as at or after the Final Closing Date 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.

10. Procedures for acceptance

In order to accept the Partial Offer, Qualifying CHB Shareholders should complete and return the accompanying Form of Acceptance to the Share Registrar in accordance with the instructions printed in this Composite Document and on the Form of Acceptance. The instructions in this Composite Document should be read together with the instructions on the Form of Acceptance (which instructions form part of the terms of the Partial Offer).

Qualifying CHB Shareholders are required to submit the duly completed Form of Acceptance, together with the CHB Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) for not less than the number of CHB Shares in respect of which the relevant Qualifying CHB Shareholder wishes to accept the Partial Offer, by post or by hand to the Share Registrar, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, in an envelope marked "Chong Hing Bank Limited — Partial Offer" as soon as possible after receipt of the Form of Acceptance but in any event so as to reach the Share Registrar by no later than 4:00 p.m. (Hong Kong time) on Wednesday, 5 February 2014, being the First Closing Date, or such later time and/or date as the Offeror may decide and announce and the Executive may approve. 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. 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.

No acknowledgement of receipt of any Form of Acceptance, CHB Share certificate(s), transfer receipt(s) or other document(s) of title (and/or any indemnity or indemnities in respect thereof) (if applicable) will be given.

Only one Form of Acceptance will be accepted from each Qualifying CHB Shareholder by the Share Registrar. Tenders duly received will become irrevocable and cannot be withdrawn after the Partial Offer has been declared unconditional as to acceptances except in the circumstances as described in the section headed “Irrevocable acceptances” under Appendix I to this Composite Document.

11. Nominee registration of CHB Shares

To ensure equality of treatment of all Qualifying CHB Shareholders, those Qualifying CHB Shareholders who hold CHB Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of CHB Shares whose investments are registered in nominee names (including those whose interests in CHB Shares are held through CCASS) to accept the Partial Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Partial Offer.

12. Overseas CHB Shareholders

This Composite Document will not be filed under the applicable securities or equivalent legislation or rules of any jurisdiction other than Hong Kong.

Based on the Register as at the Latest Practicable Date, there were 12 overseas CHB Shareholders holding 12,712 CHB Shares, in aggregate, with registered addresses in Australia, Canada, the PRC, the United Kingdom, Japan, Macau and Panama, which are jurisdictions outside Hong Kong. The shareholding of the Excluded Shareholder represents approximately 0.00022% of the total issued share capital of CHB as at the Latest Practicable Date. The Offeror has sought legal advice from its PRC legal advisers. Based on the advice of the Offeror’s PRC legal advisers, it would be in contravention of the laws of the PRC if the Partial Offer is extended to the Excluded Shareholder. It would therefore be unduly burdensome for the Offeror to extend the Partial Offer to the Excluded Shareholder for the purpose of Note 3 to Rule 8 of the Code. Based on the advice of the Offeror’s PRC legal advisers, the Offeror will only send this Composite Document (but not the Form of Acceptance), together with the Overseas Letter, to the Excluded Shareholder for his/her information only. The Offeror has applied for a waiver pursuant to Note 3 to Rule 8 of the Code that the Partial Offer will not be made to the Excluded Shareholder in the PRC.

The Partial Offer is in respect of a company incorporated and listed in Hong Kong and is therefore subject to the procedure and disclosure requirements of laws, regulatory and rules in Hong Kong which may be different to those in other jurisdictions. The ability of CHB Shareholders who are citizens, residents or nationals of jurisdictions outside of Hong Kong to participate in the Partial Offer may be subject to the laws and regulations of the relevant jurisdictions. Such Qualifying CHB Shareholders may be prohibited from participating in the Partial Offer. It is the responsibility of each such Qualifying CHB Shareholder to satisfy himself/herself/itself as to the full observance of the laws and regulations of the relevant jurisdiction in connection therewith, including obtaining any governmental, exchange control or other consents, or filing and registration and the payment of any transfer or other taxes due from such Qualifying CHB Shareholder in such relevant jurisdictions.

Any acceptance of the Partial Offer 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 (i) all local laws and requirements in connection with such acceptance have been complied with and (ii) the Partial Offer can be accepted by such Qualifying CHB Shareholder under the laws and regulations of the relevant jurisdiction and such acceptance shall be valid and binding in accordance with all applicable laws and regulations. Qualifying CHB Shareholders should consult their professional advisers if in doubt.

13. Settlement

Provided that the Partial Offer becomes unconditional in all respects and a duly completed Form of Acceptance, accompanied by the relevant CHB Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) (if applicable) are received by the Share Registrar by no later than 4:00 p.m. on Wednesday, 5 February 2014, being the First Closing Date, or such later time and/or date as the Offeror may decide and announce and the Executive may approve, and are in good order in all respects and in accordance with the Code, the Share Registrar will send to the relevant accepting CHB Shareholder by ordinary post, at his or her own risks, a remittance for the amount due to him or her under the Partial Offer and (if applicable) any CHB Share certificate(s) and/or any transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities in respect thereof) (if applicable) for CHB Shares not taken up or, if applicable, CHB Share certificate(s) in respect of the balance of such CHB Shares (taking account of any scaling down of his or her acceptance, stamp duty and the fees payable to the Share Registrar in respect of lost or unavailable CHB Share certificates) in accordance with the authority and provisions contained in the Form of Acceptance as soon as possible but in any event within seven business days (as defined in the Code) following the Final Closing Date.

Settlement of the consideration to which any accepting CHB Shareholder is entitled under the Partial Offer will be implemented in full in accordance with the terms of the Partial Offer (save with respect to payment of seller's ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim, or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting CHB Shareholder. No fractions of a cent will be payable and the amount of cash consideration payable to an accepting CHB Shareholder will be rounded up to the nearest cent.

If the Partial Offer does not become unconditional in all respects, the CHB Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any indemnity or indemnities in respect thereof) (as the case may be) will be returned and/or sent to each accepting CHB Shareholder (by ordinary post at his or her own risk) as soon as possible but in any event within 10 days following the lapse of the Partial Offer. Where such accepting CHB Shareholder has sent one or more transfer receipt(s) and in the meantime one or more CHB Share certificate(s) have been collected on that accepting CHB Shareholder's behalf in respect thereof, that accepting CHB Shareholder will be sent (by ordinary post at his or her own risk) such CHB Share certificate(s) in lieu of the transfer receipt(s).

If the CHB Shares tendered by an accepting CHB Shareholder have not been taken up by the Offeror in full, the CHB Share certificate(s) or transfer receipt(s) or other document(s) of title (and/or any indemnity or indemnities in respect thereof) (as the case may be) in respect of the balance of such CHB Shares or a replaced certificate therefor will be returned or sent to him or her by ordinary post at his or her own risk as soon as possible but in any event within 10 days following the Final Closing Date.

14. Odd lots

Qualifying CHB Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of CHB Shares. Qualifying CHB Shareholders should note that acceptance of the Partial Offer may result in their holding odd lots of CHB Shares. Accordingly, Computershare Hong Kong Investor Services Limited whose address is at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (contact person: Ms. Fiona Chu; telephone number: +852 2862 8564) has been appointed as the designated broker to match sales and purchases of odd lot holdings of CHB Shares in the market for a period of six weeks 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 of 1,000 CHB Shares. Qualifying CHB Shareholders should note that the matching of odd lots is not guaranteed.

15. Hong Kong stamp duty

Seller's ad valorem stamp duty at the rate of 0.1% 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% 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.

16. Consent from the Executive

Pursuant to Rule 28.1 of the Code, the Executive has consented to the Offeror making the Partial Offer.

17. Tax implications

Qualifying CHB Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Partial Offer. It is emphasized that none of Yuexiu, the Offeror, CHB, LCHI and their ultimate beneficial owners and parties acting in concert with any of them, Nomura, UBS, the Share Registrar or any of their respective directors or professional advisers or any persons involved in the Partial Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance of the Partial Offer.

18. 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 State-owned 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.

19. 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 the 1980s 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 the 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.

The Offeror has decided to proceed with the Partial Offer instead of a general offer because it intends to maintain the listing status of CHB, for which 25% or more of the CHB Shares in issue will need to be held by the public in accordance with the Listing Rules. Accordingly, the maximum percentage of CHB Shares in issue that the Offeror would acquire under the Partial Offer would be 75%.

20. 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. At the same time, with the support of the Closer Economic Partnership Arrangement between the PRC and Hong Kong, the Offeror will utilise its customer resources in the PRC market to enhance CHB's 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. Apart from the Property Agreement, there is currently no other intention to redeploy any of CHB's fixed assets.

The Offeror has committed that for a period of 24 months from the Final Closing Date, CHB will: (a) 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 (i) 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); (ii) an Employee is in material breach of any term of his or her employment contract with CHB; or (iii) the employment of an Employee is terminated by reason of retirement; (b) 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 (c) 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 in this section, 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 CHB Shareholders. 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 paragraph headed "Non-compete and other undertakings" under the section headed "LCHI Irrevocable Undertaking" below), 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. Based on such understanding, the directors of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the CHB Shares. The Offeror does not intend to avail itself of any powers of compulsory acquisition.

The Stock Exchange has stated that if, at the close of the Partial Offer, less than the minimum prescribed percentage applicable to CHB, being 25% of the issued CHB Shares, are held by the public, or if the Stock Exchange believes that:-

- a false market exists or may exist in the trading of the CHB Shares; or
- that there are insufficient CHB Shares in public hands to maintain an orderly market;

it will consider exercising its discretion to suspend dealings in the CHB Shares.

21. Responsibility for documents

All communications, notices, Forms of Acceptance, CHB Share certificates, transfer receipts, other documents of title (and/or any indemnity or indemnities in respect thereof) and remittances to be delivered or sent by, to or from any CHB Shareholders will be delivered or sent by, to and from them, or their designated agents, at their own risks and none of Yuexiu, the Offeror, CHB, LCHI and their ultimate beneficial owners and parties acting in concert with any of them, Nomura, UBS, the Share Registrar or any of their respective directors or professional advisers or any other persons involved in the Partial Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.

LCHI IRREVOCABLE UNDERTAKING

On 25 October 2013, Yuexiu entered into the LCHI Irrevocable Undertaking with, among others, LCH Estate, LCHI (which holds the LCH Estate IU Shares through LCH Estate) and Alba, pursuant to which each of LCH Estate, LCHI and Alba agreed 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 Latest Practicable Date) 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 Latest Practicable Date) in the case of Alba) for acceptance under the Partial Offer.

The principal terms of the LCHI Irrevocable Undertaking are set out below:

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:

- (a) 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 (as defined in the Code) after the despatch date of the Composite Document and that LCH Estate will not withdraw such acceptance;

- (b) 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 (as defined in the Code) after the despatch date of the Composite Document and that Alba will not withdraw such acceptance; and
- (c) 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% 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 the 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.

Representations and warranties:

Each of LCHI and LCH Estate has warranted, jointly and severally, to Yuexiu that insofar as it is aware, all information disclosed by CHB on the website of the Stock Exchange over the 6 month period immediately preceding the date of the LCHI Irrevocable Undertaking was true, accurate and not misleading in all material respects, with reference to the facts and circumstances existing at the time

at which the relevant information was disclosed. Any liability of LCHI or LCH Estate under this warranty is subject to various limitations, including: (i) a cap of HK\$200 million on the aggregate liability of LCHI and LCH Estate; and (ii) a time limit in respect of the notification of warranty claims.

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.

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.

Termination:

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

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

As set out in the section headed "Introduction" above, Yuexiu, the Offeror and CHB jointly announced on 9 January 2014 that the Pre-Condition had been satisfied.

For further details of the LCHI Irrevocable Undertaking, please refer to Part B of the section headed "Letter from the Board" in the LCHI Circular. On 20 December 2013, LCHI announced that the IU Commitment was approved by the LCHI Shareholders at the LCHI EGM.

PROPERTY AGREEMENT

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

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

1. Property Transfer

The principal terms of the Property Transfer are set out below:

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

Subject matter of the Property Transfer:

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

The Property Transfer Consideration:

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

The Property Transfer Consideration shall be paid in cash by LCHI to CHB at completion of the Property Transfer. The stamp duty in respect of the Property Transfer, which is expected to be approximately HK\$189.6 million, will be borne by LCHI. 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. Lease

The principal terms of the Lease are set out below:

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

Subject matter of the Lease:

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

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

Term:

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

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

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

The CHB Independent Financial Adviser has confirmed in the section headed "Letter from the Independent Financial Adviser" in the CHB Circular dated 4 December 2013 that it is normal business practice for contracts of this type to be of such a duration.

Monthly rent:

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

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

Usage of the leased premises:

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

Option to renew:

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

Rent during the renewed term:

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

Stamp duty:

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

Annual cap for the Lease:

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

For further details of the Property Agreement, please refer to Part C of the section headed “Letter from the Board” in the CHB Circular and Part C of the section headed “Letter from the Board” in the LCHI Circular.

As the Property Agreement was entered into during the Offer Period of the Partial Offer and as the benefit of the Property Agreement was not capable of being extended to all CHB Shareholders, the Property Agreement constitutes a special deal in relation to the Partial Offer under Note 4 to Rule 25 of the Code. An application has been made by CHB to the Executive for, and the Executive has granted, consent to proceed with the Property Agreement. Such consent is subject to the approval of the Property Agreement by the Independent CHB Shareholders by way of poll at the CHB EGM. The CHB Independent Financial Adviser has stated in the CHB Circular its opinion that the terms of the Property Agreement are fair and reasonable, on normal commercial terms and in the interests of CHB and the CHB Shareholders as a whole. On 20 December 2013, CHB announced that the Property Agreement was approved by the Independent CHB Shareholders at the CHB EGM and LCHI announced that the Property Agreement was approved by the LCHI Shareholders at the LCHI EGM.

CHB SPECIAL DIVIDEND

The CHB Board declared the CHB Special Dividend at its meeting held on 18 December 2013. Conditional on completion of the Property Transfer, CHB will distribute the proceeds of the Property Transfer less the unaudited carrying value of the Property as at 30 June 2013 (such unaudited carrying value being approximately HK\$264 million) by way of the CHB Special Dividend to all CHB Shareholders registered as such on the Record Date on the following basis:

For each CHB Share held HK\$4.5195 in cash

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

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

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the CHB Board on pages 31 to 39, the letter from the CHB Code Independent Board Committee on pages 40 to 41 and the letter from the CHB Independent Financial Adviser on pages 42 to 70 of this Composite Document in relation to their respective recommendations and advice with respect to the Partial Offer.

Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully
For and on behalf of
Nomura International (Hong Kong) Limited

A handwritten signature in black ink, appearing to read 'Tung Hong Erik', with a small 'n' superscripted at the end.

Tung Hong Erik
Managing Director
Head of China Investment Banking