

**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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## **LIU CHONG HING INVESTMENT LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 194)**

### **COMMITMENT BY THE COMPANY TO ACCEPT THE PARTIAL OFFER UNDER THE LCHI IRREVOCABLE UNDERTAKING CONSTITUTING A VERY SUBSTANTIAL DISPOSAL**

### **PROPERTY AGREEMENT CONSTITUTING A MAJOR TRANSACTION**

**Financial adviser to the Company and CHB**



A letter from the Board is set out on pages 8 to 19 of this circular. A notice convening the extraordinary general meeting of the Company to be held at 11:30 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 pages EGM-1 to EGM-2 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 the Company 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;
“Board”	means the board of Directors;
“BTMU”	means The Bank of Tokyo-Mitsubishi UFJ, Ltd;
“CHB”	means Chong Hing Bank Limited, a Hong Kong-incorporated limited liability company listed on the Main Board of the Stock Exchange with Stock Code 1111;
“CHB Board”	means the board of directors of CHB;
“CHB Circular”	means a circular of CHB in relation to the Property Agreement and containing, among other things, the notice of the CHB EGM, which is to be despatched to the CHB Shareholders;
“CHB Code Independent Board Committee”	means the independent committee of the CHB Board established for the purpose of advising the Independent CHB Shareholders in respect of the Partial Offer and the Property Agreement pursuant to the requirements of the Code;
“CHB Directors”	means the directors of CHB;
“CHB EGM”	means the extraordinary general meeting of CHB to be held to consider and, if thought fit, approve the Property Agreement;
“CHB Group”	means CHB and its subsidiaries;
“CHB Independent Board Committees”	means the CHB Code Independent Board Committee and the CHB LR Independent Board Committee;

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“CHB Independent Financial Adviser”	means Somerley Limited, the independent financial adviser to the CHB Independent Board Committees in respect of the Partial Offer and the Property Agreement. Somerley Limited is a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO;
“CHB LR Independent Board Committee”	means the independent committee of the CHB Board established for the purpose of advising the Independent CHB Shareholders in respect of the Property Agreement pursuant to the requirements of the Listing Rules;
“CHB Shareholders”	means registered holders of CHB Shares;
“CHB Shares”	means the ordinary shares of HK\$0.50 each in the capital of CHB;
“CHB Special Dividend”	means the conditional special interim cash dividend of HK\$4.5195 per CHB Share which is intended to be declared by the CHB Board, as described in Part D of the Joint Announcement;
“circular”	means this circular dated 4 December 2013;
“Code”	means the Hong Kong Code on Takeovers and Mergers;
“Common Equity Tier 1 capital ratio”	has the meaning given in the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong);
“Company”	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;
“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 CHB to all Qualifying CHB Shareholders in accordance with the Code containing, among other things, details of the Partial Offer and the acceptance and transfer forms in respect of the Partial Offer, as may be revised or supplemented as appropriate;
“connected person”	has the meaning ascribed thereto under the Listing Rules;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Deloitte”	means Deloitte Touche Tohmatsu in Hong Kong;

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“Despatch Date”	means the date of despatch of the Composite Document to the CHB Shareholders as required by the Code;
“Directors”	means the directors of the Company;
“Distribution in Specie”	means the possible interim distribution in specie by the Company to Shareholders of some of the CHB Shares held by LCH Estate after the closing of the Partial Offer, such distribution to be made in proportion to the shareholdings of the Shareholders in the Company at the record date to be determined by the Directors;
“EGM”	means the extraordinary general meeting of the Company to be held to consider and, if thought fit, pass the resolutions in respect of the IU Commitment and the Property Agreement;
“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;
“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;
“HKMA”	means the Hong Kong Monetary Authority;
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC;

## DEFINITIONS

“Independent CHB Shareholders”	means the CHB Shareholders other than Dr. Liu Lit Mo, Mr. Liu Lit Chi, LCH Estate, Alba and BTMU and any other CHB Shareholders who are involved in or interested in the Property Agreement and their respective associates (as defined in the Listing Rules) and any persons acting in concert with any of Dr. Liu Lit Mo, Mr. Liu Lit Chi, LCH Estate, Alba and BTMU and any other CHB Shareholders who are involved in or interested in the Property Agreement;
“IU Commitment”	means the commitments made by the Company 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 CHB Shares held by LCH Estate, representing its entire interest in CHB and 50.2 per cent. of the issued share capital of CHB; and (ii) the 2,263,211 CHB Shares held by Alba, representing its entire interest in CHB and 0.52 per cent. of the issued share capital of CHB;
“Joint Announcement”	means the joint announcement dated 25 October 2013 issued by Yuexiu, the Offeror, the Company and CHB in relation to, among other things, the Partial Offer, the IU Commitment and the Property Agreement;
“L. Holdings”	means Liu’s Holdings Limited, which is a controlling shareholder of the Company and of which Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung, all of whom are Directors, are shareholders;
“Latest Practicable Date”	means 29 November 2013;
“LCH Estate”	means Liu Chong Hing Estate Company, Limited, a controlling shareholder of CHB and a wholly owned subsidiary of the Company;
“LCH Estate IU Shares”	means the 218,359,628 CHB Shares held by LCH Estate, representing its entire interest in CHB and 50.2 per cent. of the issued share capital of CHB;
“LCHI Irrevocable Undertaking”	means the irrevocable undertaking entered into between the Company, L. Holdings, LCH Estate, Alba and Yuexiu dated 25 October 2013, the principal terms of which are disclosed in Part B of the Letter from the Board in this circular;

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“Lease”	means the lease to be entered into between CHB (as tenant) and the Company (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 Letter from the Board in this circular;
“Letter from the Board”	means the letter from the Board to Shareholders set out in this circular;
“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;
“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 CHB 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 CHB Shareholders to acquire a maximum of 326,250,000 CHB Shares (representing 75 per cent. of the issued share capital of CHB) at the Offer Price and any subsequent revision or extension of such offer as set out in Appendix I to this circular;
“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 Appendix I to this circular;

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“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 CHB and the Company 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 CHB and purchase by the Company 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 CHB Shareholders”	means CHB Shareholders other than the Offeror and parties acting in concert with it;
“Remaining Group”	means the Company and its subsidiaries excluding CHB Group;
“RMB”	means Renminbi, the lawful currency of the PRC;
“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\$1.00 each in the capital of the Company;
“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;
“Tier 1 capital ratio”	has the meaning given in the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong);
“Total capital ratio”	has the meaning given in the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong);



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- “UBS” means UBS AG, acting through its Hong Kong branch, an institution licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO, the financial adviser to CHB and the Company;
- “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*



# LIU CHONG HING INVESTMENT LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 194)

*Executive Directors:*

Dr. Liu Lit Mo, LLD, MBE, J.P.  
(Chairman and Managing Director)  
Mr. Liu Lit Chi  
Mr. Winston Kam Fai Liu  
(Deputy Managing Director)  
Mr. Christopher Kwun Shing Liu  
(also alternate director to Dr. Liu Lit Chung)  
Mr. Lee Wai Hung

*Registered Office:*

25/F, Chong Hing Bank Centre,  
24 Des Voeux Road Central,  
Hong Kong

*Non-executive Directors:*

Dr. Liu Lit Chung, MBBS (Lon), MRCP (UK), F.R.C.P. (Lon)  
Mr. Andrew Liu  
Mr. Wilfred Chun Ning Liu  
Mr. Christopher Eng Tjoan Kho, BES, M. Arch, HKIA,  
RIBA, ARAIA, MRAIC, Assoc. AIA, Registered Architect,  
A.P. (Architect), MHKIoD

*Independent Non-executive Directors:*

Dr. Moses Mo Chi Cheng, GBS, OBE, LLB (HK), J.P.  
Mr. Tong Tsin Ka, FCA (AUST.), FCPA, FCIS  
Mr. Arthur Kam Yuen Au  
Dr. John Hung Ming Ma, PhD, BBS

Hong Kong, 4 December 2013

*To the Shareholders*

Dear Sir or Madam,

**COMMITMENT BY THE COMPANY TO ACCEPT  
THE PARTIAL OFFER UNDER THE LCHI IRREVOCABLE UNDERTAKING  
CONSTITUTING A VERY SUBSTANTIAL DISPOSAL**

**PROPERTY AGREEMENT CONSTITUTING A MAJOR TRANSACTION**

**INTRODUCTION**

Reference is made to the Joint Announcement dated 25 October 2013 issued by Yuexiu, the Offeror, the Company and CHB 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 IU Commitment and 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 Appendix I to this circular.

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

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

#### **1. Principal terms of the LCHI Irrevocable Undertaking**

**Date:** 25 October 2013

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

#### **Irrevocable undertaking to accept the Partial Offer:**

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

- (i) the Company 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 the Company, has irrevocably undertaken to exercise its voting rights in respect of all of the Shares held by it to vote in favour of the resolutions at the EGM to approve the IU Commitment and the Property Agreement.

## LETTER FROM THE BOARD

### **Consideration:**

The Company 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.

### **Representations and warranties:**

Each of the Company 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 the Company or LCH Estate under this warranty is subject to various limitations, including: (i) a cap of HK\$200 million on the aggregate liability of the Company and LCH Estate; and (ii) a time limit in respect of the notification of warranty claims.

### **Restrictive covenants:**

Each of the Company and LCH Estate has undertaken to procure, among other things, 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 Joint 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 Irrevocable Undertaking, no such restricted activity has been notified to the Offeror pursuant to paragraph (c) above.

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

The Company and LCH Estate have given undertakings (in respect of itself and the members of the Group (excluding the CHB Group)), among other things, not to be engaged or directly or indirectly interested in carrying on a business of commercial

## LETTER FROM THE BOARD

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. 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.

### **3. Confirmation by Directors**

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

### **4. 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, the Company may (through LCH Estate) 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

\* *for identification purpose only*

## LETTER FROM THE BOARD

undertaken to procure the Company to reduce, and the Company has agreed to reduce, the residual shareholding of LCH Estate in CHB by way of the 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 purposes of CHB's public float requirement under the Listing Rules.

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

### **5. Financial effect of the IU Commitment on the Group**

Based on the unaudited pro forma financial information of the Remaining Group set out in Appendix VI to this circular, assuming that 75 per cent. of the LCH Estate IU Shares are taken up by the Offeror under the Partial Offer:

- (i) the Group would have recorded an unaudited gain of approximately HK\$3,021 million for the six months ended 30 June 2013 based on the consolidated net assets of CHB of approximately HK\$7,374 million as at 1 January 2013, assuming that the taking up of the 75 per cent. of the LCH Estate IU Shares by the Offeror under the Partial Offer had been completed on 1 January 2013;
- (ii) the earnings of the Group for the six months ended 30 June 2013 would have increased from approximately HK\$384 million to approximately HK\$3,128 million, assuming that the taking up of the 75 per cent. of the LCH Estate IU Shares by the Offeror under the Partial Offer had been completed on 1 January 2013;
- (iii) the total assets of the Group as at 30 June 2013 would have decreased from approximately HK\$90,506 million to approximately HK\$16,173 million, assuming that the taking up of the 75 per cent. of the LCH Estate IU Shares by the Offeror under the Partial Offer had been completed on 30 June 2013; and
- (iv) the total liabilities of the Group as at 30 June 2013 would have decreased from approximately HK\$77,969 million to approximately HK\$4,096 million, assuming that the taking up of the 75 per cent. of the LCH Estate IU Shares by the Offeror under the Partial Offer had been completed on 30 June 2013.

Based on the unaudited pro forma financial information of the Remaining Group set out in Appendix VI to this circular, assuming that all of the LCH Estate IU Shares are taken up by the Offeror under the Partial Offer:

- (i) the Group would have recorded an unaudited gain of approximately HK\$4,078 million for the six months ended 30 June 2013 based on the consolidated net assets of CHB of approximately HK\$7,374 million as at 1 January 2013, assuming that the taking up of all of the LCH Estate IU Shares by the Offeror under the Partial Offer had been completed on 1 January 2013;

## LETTER FROM THE BOARD

- (ii) the earnings of the Group for the six months ended 30 June 2013 would have increased from approximately HK\$384 million to approximately HK\$4,185 million, assuming that the taking up of all of the LCH Estate IU Shares by the Offeror under the Partial Offer had been completed on 1 January 2013;
- (iii) the total assets of the Group as at 30 June 2013 would have decreased from approximately HK\$90,506 million to approximately HK\$16,951 million, assuming that the taking up of all of the LCH Estate IU Shares by the Offeror under the Partial Offer had been completed on 30 June 2013; and
- (iv) the total liabilities of the Group as at 30 June 2013 would have decreased from approximately HK\$77,969 million to approximately HK\$4,096 million, assuming that the taking up of all of the LCH Estate IU Shares by the Offeror under the Partial Offer had been completed on 30 June 2013.

The actual gain or loss of the Group arising from the disposal is expected to be different from the pro forma amounts described above and is subject to the determination of the carrying amounts of the assets and liabilities of the CHB Group on the date of such disposal.

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

### **6. Use of proceeds by the Company**

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\$20 million arising from such sale) are estimated to be HK\$5,819 million, which will be used to settle the Property Transfer Consideration, to repay some of its existing bank borrowings, to pay a possible special dividend (which, for the avoidance of doubt, may or may not be declared and is therefore only a possibility) and as working capital of the Group. Assuming that all of the LCH Estate IU Shares are taken up by the Offeror under the Partial Offer, the net proceeds of the sale of all of the LCH Estate IU Shares under the Partial Offer (that is, after deducting stamp duty payable by LCH Estate of approximately HK\$7.8 million and expenses of approximately HK\$20 million arising from such sale) are estimated to be HK\$7,765 million, which will be used to settle the Property Transfer Consideration, to repay some of its existing bank borrowings, to pay a possible special dividend (which, for the avoidance of doubt, may or may not be declared and is therefore only a possibility) and as working capital of the Group.

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

The Company 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

## LETTER FROM THE BOARD

Offer, the Company 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 Directors consider the terms of the IU Commitment to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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

On 25 October 2013, CHB entered into the Property Agreement with the Company, 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 the Company and CHB. Neither the Company nor CHB intends to waive such condition. Completion of the Property Transfer shall take place on the day falling three business days after the date on which such condition is satisfied.

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

**Parties:** (1) CHB (as vendor); and (2) the Company (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, an independent qualified property valuer. The independent valuation report from Vigers is in Appendix II to this circular.

The Property Transfer Consideration shall be paid in cash by the Company 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 the Company. As disclosed in the paragraph headed "Use of Proceeds by the Company" of Part B above, it is intended that the payment of the Property Transfer Consideration will be funded by the net proceeds of the sale of the LCH Estate IU Shares under the Partial Offer.



## LETTER FROM THE BOARD

### 2. Principal terms of the Lease

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

**Subject matter of the Lease:** The Company (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. The arrangement enables the Company and CHB 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.

As disclosed in the Joint Announcement, the Lease constitutes a continuing connected transaction of CHB. 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

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 CHB Circular that the duration of the Lease of five years plus an option to renew for five years is in line with normal business practice and that it is necessary for the Lease to be a duration longer than three years.

**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.

## LETTER FROM THE BOARD

**Stamp duty:**

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

### **3. The Company's reasons for entering into the Property Agreement**

Property investment is a principal business of the Group. The Property Transfer and the Lease will therefore be in the ordinary course of the business of the Group. The Property Transfer represents an opportunity to acquire a prime Central office building which is rare in the current market conditions in Hong Kong. As the Company will fund the Property Transfer from the proceeds of the sale of LCH Estate's CHB Shares under the Partial Offer, the Company will not need to arrange any financing for it. The Group (through LCH Estate, which holds approximately 50.20% of the CHB Shares) will also receive part of the proceeds of CHB's sale of the Property by way of the CHB Special Dividend.

The terms of the Property Agreement were arrived at after arm's length negotiations. The Directors consider 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.

### **4. Financial information on the Property**

The unaudited net loss (before taxation and extraordinary items) 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) 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 the Company, whilst the rest of the Property was occupied by CHB and its wholly-owned subsidiaries as the head office. The net losses reflected the fact that a large portion of the Property, which was occupied by CHB, did not generate any rental income during the two years ended 31 December 2011 and 31 December 2012. A substantial part of such portion constitutes the leased premises pursuant to the Lease which will be leased back to CHB and will therefore generate rental income for the Company upon completion of the Property Transfer. On the other hand, the portions of the Property which generated rental income for CHB during the two years ended 31 December 2011 and 31 December 2012 will be occupied by the Company and therefore will not generate rental income for the Company after completion of the Property Transfer. The 20th floor of the Property, which was occupied by CHB, will be occupied by the Company after completion of the Property Transfer.

The valuation of the Property as at 25 October 2013 was HK\$2,230 million, as determined by Vigers, an independent qualified property valuer. The unaudited carrying value of the Property as at 30 June 2013 was HK\$264 million.

## LETTER FROM THE BOARD

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

Based on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Remaining Group as set out in Appendix VI to this circular, assuming that the Property Transfer had been completed on 1 January 2013, as a result of the Property Transfer, the unaudited consolidated profit attributable to Shareholders for the six months ended 30 June 2013 would have decreased by approximately HK\$155 million.

Based on the unaudited pro forma consolidated statement of financial position of the Remaining Group as set out in Appendix VI to this circular, assuming that the Property Transfer had been completed on 30 June 2013, as a result of the Property Transfer, the investment properties and property, plant and equipment of the Group would have increased by approximately HK\$1,829 million and approximately HK\$436 million respectively; and the unaudited total assets of the Group would have decreased by approximately HK\$155 million.

## PART D: GENERAL

### 1. Listing Rules implications

#### *The IU Commitment*

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 the Company, the IU Commitment constitutes a very substantial disposal for the Company 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 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 Appendix I to this circular.

#### *The Property Agreement*

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 25 per cent. but less than 100 per cent., the Property Transfer constitutes a major transaction of the Company 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 Shareholders of the Property Transfer is a condition to the Partial Offer as referred to in the section headed "Conditions of the Partial Offer" in Appendix I to this circular. Since the term of the Lease will not commence until completion of the Property Transfer, the Lease will in effect be subject to the approval by the Shareholders.

### 2. EGM

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

## LETTER FROM THE BOARD

Agreement. Shareholders who have a material interest in the IU Commitment and the Property Agreement and their respective associates (as defined in the Listing Rules) are required to abstain from voting on the relevant resolutions at the EGM. None of the Shareholders (including L. Holdings and Alba) is required to abstain from voting on the relevant resolutions at the EGM.

A notice convening the EGM with the ordinary resolutions is set out on pages EGM-1 and EGM-2 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

The Board considers that the terms of the Irrevocable Undertaking and the terms of the Property Agreement are, in each case, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

### 4. 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 principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are (i) financial services (through the CHB Group); (ii) property investment; (iii) property development; (iv) property management; (v) treasury investment (through the CHB Group); (vi) trading and manufacturing; and (vii) hotel operation.

### 5. Information on the CHB Group

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

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

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

## LETTER FROM THE BOARD

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

### **6. Additional Information**

Your attention is drawn to the additional information set out in the appendices to this circular.

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

Set out below is an extract from the Joint Announcement containing information on the Partial Offer. Capitalised terms used in the extract from the Joint Announcement 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 of 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.

*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 CHB to the Company.*

**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 unencumbered 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.

**SUMMARY OF FINANCIAL INFORMATION OF THE CHB GROUP**

Set out below are the unaudited condensed consolidated statements of profit or loss, unaudited condensed consolidated statements of profit or loss and other comprehensive income, unaudited condensed consolidated statements of changes in equity and unaudited condensed consolidated statements of cash flows of the CHB Group for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, and the unaudited condensed consolidated statements of financial position of the CHB Group as at 31 December 2010, 2011 and 2012 and 30 June 2013.

The financial information of the CHB Group for the financial years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. Based on their review, nothing has come to their attention that causes them to believe that the financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the financial information on the CHB Group.

**Unaudited Condensed Consolidated Statements of Profit or Loss**

*For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013*

	<b>Six months ended 30 June 2013 HK\$'000</b>	<b>Six months ended 30 June 2012 HK\$'000</b>	<b>Year ended 31 December 2012 HK\$'000</b>	<b>Year ended 31 December 2011 HK\$'000</b>	<b>Year ended 31 December 2010 HK\$'000</b>
Interest income	762,101	782,675	1,563,820	1,369,989	1,178,582
Interest expense	<u>(286,363)</u>	<u>(382,124)</u>	<u>(726,912)</u>	<u>(554,668)</u>	<u>(362,455)</u>
Net interest income	475,738	400,551	836,908	815,321	816,127
Fee and commission income	140,228	122,059	253,949	276,257	291,763
Fee and commission expenses	<u>(34,351)</u>	<u>(30,182)</u>	<u>(64,584)</u>	<u>(58,534)</u>	<u>(51,589)</u>
Net fee and commission income	105,877	91,877	189,365	217,723	240,174
Net (losses) gains on financial instruments at fair value through profit or loss	(116,056)	28,358	57,473	(102,418)	23,752
Net (losses) gains on fair value hedge	(262)	727	1,200	(20,679)	13,294
Other operating income	228,147	122,660	237,835	404,855	158,134
Operating expenses	<u>(358,253)</u>	<u>(387,075)</u>	<u>(788,591)</u>	<u>(773,555)</u>	<u>(711,935)</u>
	335,191	257,098	534,190	541,247	539,546
(Impairment allowance) reversal of impairment allowances on loans and advances	(17,592)	34,432	65,228	107,188	(17,785)
Net losses on disposal of property and equipment	(978)	(8)	(1,861)	(4,128)	(79)
Net gains on disposal of available-for-sale securities	51	468	594	697	14,445
Net gains on disposal of and fair value adjustments on investment properties	4,237	6,646	12,206	9,065	15,895
Impairment loss on available-for-sale securities	—	—	—	(4,473)	(2,739)
Share of profits of associates	<u>8,348</u>	<u>10,387</u>	<u>36,028</u>	<u>18,056</u>	<u>19,036</u>
Profit before taxation	329,257	309,023	646,385	667,652	568,319
Taxation	<u>(52,950)</u>	<u>(49,274)</u>	<u>(103,045)</u>	<u>(106,936)</u>	<u>(90,404)</u>
Profit for the period/year	<u><u>276,307</u></u>	<u><u>259,749</u></u>	<u><u>543,340</u></u>	<u><u>560,716</u></u>	<u><u>477,915</u></u>

**Unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income**

*For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013*

	Six months ended 30 June 2013 HK\$'000	Six months ended 30 June 2012 HK\$'000	Year ended 31 December 2012 HK\$'000	Year ended 31 December 2011 HK\$'000	Year ended 31 December 2010 HK\$'000
Profit for the period/year	276,307	259,749	543,340	560,716	477,915
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Surplus on remeasurement of retirement benefit	—	—	—	10,268	—
Income tax charge relating to retirement benefits	—	—	—	(1,694)	—
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation	8,268	(3,628)	4,588	6,547	7,053
Fair value (losses) gains of available-for-sale securities arising during the period	(70,701)	66,158	183,500	(89,234)	71,383
Amount reclassified to profit or loss upon impairment of available-for-sale securities	—	—	—	4,473	2,739
Amount reclassified to profit or loss upon disposal of available-for-sale securities	(51)	(468)	(594)	(697)	(14,445)
Income tax credit relating to disposal of available-for-sale securities	8	77	98	12	—
Income tax credit (charge) relating to fair value change of available-for-sale securities	11,873	(10,733)	(29,914)	13,086	(8,930)
Share of other comprehensive (expense) income of associates	(230)	250	430	(53)	145
Other comprehensive (expense) income for the period/year (net of tax)	(50,833)	51,656	158,108	(57,292)	57,945
Total comprehensive income for the period/year	<u>225,474</u>	<u>311,405</u>	<u>701,448</u>	<u>503,424</u>	<u>535,860</u>
Total comprehensive income attributable to:					
Owners of CHB	<u>225,474</u>	<u>311,405</u>	<u>701,448</u>	<u>503,424</u>	<u>535,860</u>

## Unaudited Condensed Consolidated Statements of Financial Position

As at 31 December 2010, 2011 and 2012 and 30 June 2013

	30 June 2013 HK\$'000	31 December 2012 HK\$'000	31 December 2011 HK\$'000	31 December 2010 HK\$'000
<b>Assets</b>				
Cash and short-term funds	11,960,197	17,331,877	18,659,276	18,249,365
Placements with banks and other financial institutions maturing between one and twelve months	8,423,633	4,789,513	2,169,007	2,282,122
Derivative financial instruments	107,669	187,911	129,556	20,542
Financial assets at fair value through profit or loss	91,350	1,213,410	1,845,589	1,774,453
Available-for-sale securities	4,567,204	4,222,217	1,846,485	1,212,428
Held-to-maturity securities	11,556,974	9,600,020	8,288,082	10,878,046
Advances and other accounts	43,665,018	42,109,218	43,247,956	38,835,820
Tax recoverable	—	—	—	6
Interests in associates	186,888	182,970	153,872	136,919
Investment properties	136,162	135,318	127,171	116,400
Property and equipment	913,939	928,380	918,968	729,771
Prepaid lease payments for land	2,417	2,423	2,483	2,535
Deferred tax assets	1,475	1,502	16,861	—
Goodwill	50,606	50,606	50,606	50,606
<b>Total assets</b>	<b><u>81,663,532</u></b>	<b><u>80,755,365</u></b>	<b><u>77,455,912</u></b>	<b><u>74,289,013</u></b>
<b>Liabilities</b>				
Deposits and balances of banks and other financial institutions	2,080,049	1,843,477	1,086,836	1,039,991
Financial assets sold under repurchase agreements	437,349	433,681	420,652	—
Deposits from customers	68,755,915	67,508,748	64,815,713	63,500,219
Certificates of deposit	177,511	667,636	1,545,562	—
Derivative financial instruments	194,445	248,656	265,696	256,426
Other accounts and accruals	707,528	740,229	558,495	442,834
Current tax liabilities	57,449	16,327	31,176	50,106
Loan capital	1,794,150	1,898,957	1,852,153	2,401,151
Deferred tax liabilities	11,832	23,574	6,897	11,478
<b>Total liabilities</b>	<b><u>74,216,228</u></b>	<b><u>73,381,285</u></b>	<b><u>70,583,180</u></b>	<b><u>67,702,205</u></b>
<b>Equity attributable to owners of CHB</b>				
Share capital	217,500	217,500	217,500	217,500
Reserves	7,229,804	7,156,580	6,655,232	6,369,308
<b>Total equity</b>	<b><u>7,447,304</u></b>	<b><u>7,374,080</u></b>	<b><u>6,872,732</u></b>	<b><u>6,586,808</u></b>
<b>Total liabilities and equity</b>	<b><u>81,663,532</u></b>	<b><u>80,755,365</u></b>	<b><u>77,455,912</u></b>	<b><u>74,289,013</u></b>

**Unaudited Condensed Consolidated Statements of Changes in Equity**

For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013

	Share capital HK\$'000	Share premium HK\$'000	Goodwill HK\$'000	Investment revaluation reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Regulatory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 January 2010 (as restated) (Note)	217,500	1,542,817	(182)	55,328	1,388,500	8,048	287,000	2,682,437	6,181,448
Profit for the year	—	—	—	—	—	—	—	477,915	477,915
Other comprehensive income	—	—	—	50,892	—	7,053	—	—	57,945
Total comprehensive income for the year	—	—	—	50,892	—	7,053	—	477,915	535,860
Interim dividend paid	—	—	—	—	—	—	—	(43,500)	(43,500)
Final dividend paid	—	—	—	—	—	—	—	(87,000)	(87,000)
Earmark of retained profits as regulatory reserve	—	—	—	—	—	—	44,000	(44,000)	—
At 31 December 2010	<u>217,500</u>	<u>1,542,817</u>	<u>(182)</u>	<u>106,220</u>	<u>1,388,500</u>	<u>15,101</u>	<u>331,000</u>	<u>2,985,852</u>	<u>6,586,808</u>
Profit for the year	—	—	—	—	—	—	—	560,716	560,716
Other comprehensive (expense) income	—	—	—	(72,413)	—	6,547	—	8,574	(57,292)
Total comprehensive (expense) income for the year	—	—	—	(72,413)	—	6,547	—	569,290	503,424
Interim dividend paid	—	—	—	—	—	—	—	(65,250)	(65,250)
Final dividend paid	—	—	—	—	—	—	—	(152,250)	(152,250)
Earmark of retained profits as regulatory reserve	—	—	—	—	—	—	77,000	(77,000)	—
At 31 December 2011	<u>217,500</u>	<u>1,542,817</u>	<u>(182)</u>	<u>33,807</u>	<u>1,388,500</u>	<u>21,648</u>	<u>408,000</u>	<u>3,260,642</u>	<u>6,872,732</u>
Profit for the year	—	—	—	—	—	—	—	543,340	543,340
Other comprehensive income	—	—	—	153,520	—	4,588	—	—	158,108
Total comprehensive income for the year	—	—	—	153,520	—	4,588	—	543,340	701,448
Interim dividend paid	—	—	—	—	—	—	—	(47,850)	(47,850)
Final dividend paid	—	—	—	—	—	—	—	(152,250)	(152,250)
Release of regulatory reserve to retained profits	—	—	—	—	—	—	(21,000)	21,000	—
At 31 December 2012	<u>217,500</u>	<u>1,542,817</u>	<u>(182)</u>	<u>187,327</u>	<u>1,388,500</u>	<u>26,236</u>	<u>387,000</u>	<u>3,624,882</u>	<u>7,374,080</u>

	Share capital HK\$'000	Share premium HK\$'000	Goodwill HK\$'000	Investment revaluation reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Regulatory reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Profit for the period	—	—	—	—	—	—	—	276,307	276,307
Other comprehensive (expense) income	—	—	—	(59,101)	—	8,268	—	—	(50,833)
Total comprehensive (expense) income for the period	—	—	—	(59,101)	—	8,268	—	276,307	225,474
Interim dividend paid	—	—	—	—	—	—	—	—	—
Final dividend paid	—	—	—	—	—	—	—	(152,250)	(152,250)
Earmark of retained profits as regulatory reserve	—	—	—	—	—	—	36,000	(36,000)	—
At 30 June 2013	<u>217,500</u>	<u>1,542,817</u>	<u>(182)</u>	<u>128,226</u>	<u>1,388,500</u>	<u>34,504</u>	<u>423,000</u>	<u>3,712,939</u>	<u>7,447,304</u>
At 1 January 2012	217,500	1,542,817	(182)	33,807	1,388,500	21,648	408,000	3,260,642	6,872,732
Profit for the period	—	—	—	—	—	—	—	259,749	259,749
Other comprehensive income (expense)	—	—	—	55,284	—	(3,628)	—	—	51,656
Total comprehensive income (expense) for the period	—	—	—	55,284	—	(3,628)	—	259,749	311,405
Interim dividend paid	—	—	—	—	—	—	—	—	—
Final dividend paid	—	—	—	—	—	—	—	(152,250)	(152,250)
Release of regulatory reserve to retained profits	—	—	—	—	—	—	(12,000)	12,000	—
At 30 June 2012	<u>217,500</u>	<u>1,542,817</u>	<u>(182)</u>	<u>89,091</u>	<u>1,388,500</u>	<u>18,020</u>	<u>396,000</u>	<u>3,380,141</u>	<u>7,031,887</u>

*Note:* CHB Group had applied the amendments to HKAS 12 “Deferred tax: Recovery of underlying assets” retrospectively in its annual financial statements for 2012. The application of the amendments to HKAS 12 has resulted in CHB Group not recognising any deferred taxes on changes in fair value of CHB Group’s investment properties located in Hong Kong as CHB Group is not subject to any income taxes on disposal of those investment properties. The retrospective application of this change in accounting policy has resulted in CHB Group’s retained profits as at 1 January 2010 being increased by HK\$7,126,000.



**Unaudited Condensed Consolidated Statements of Cash Flows**

*For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013*

	Six months ended 30 June 2013 HK\$'000	Six months ended 30 June 2012 HK\$'000	Year ended 31 December 2012 HK\$'000	Year ended 31 December 2011 HK\$'000	Year ended 31 December 2010 HK\$'000
<b>OPERATING ACTIVITIES</b>					
Profit before taxation	329,257	309,023	646,385	667,652	568,319
Adjustments for:					
Net interest income	(475,738)	(400,551)	(836,908)	(815,321)	(816,127)
Net losses on disposal of property and equipment	978	8	1,861	4,128	79
Net gains on disposal of and fair value adjustments on investment properties	(4,237)	(6,646)	(12,206)	(9,065)	(15,895)
Net gains on disposal of available-for-sale securities	(51)	(468)	(594)	(697)	(14,445)
Net losses (gains) on fair value hedge	262	(727)	(1,200)	20,679	(13,294)
Impairment allowances (reversal of impairment allowances) on loans and advances	17,592	(34,432)	(65,228)	(107,188)	17,785
Impairment loss on available-for-sale securities	—	—	—	4,473	2,739
Dividend income from investments	(5,246)	(6,036)	(10,799)	(9,820)	(7,733)
Share of profits of associates	(8,348)	(10,387)	(36,028)	(18,056)	(19,036)
Depreciation	27,787	29,175	59,209	54,742	55,117
Release of prepaid lease payments for land	33	33	66	66	66
Exchange adjustments	8,745	(5,170)	818	2,204	4,361
Operating cash flows before movements in operating assets and liabilities	(108,966)	(126,178)	(254,624)	(206,203)	(238,064)
(Increase) decrease in operating assets:					
Other accounts	63,246	(72,184)	(254,426)	(41,491)	118,990
Placements with banks and other financial institutions with original maturity over three months	(4,116,070)	(661,431)	(1,975,578)	506,294	733,321
Exchange fund bills with original maturity over three months	50,028	(56)	(50,061)	299,500	(130,665)
Money at call and short notice with original maturity over three months	1,332,145	263,579	(1,738,466)	(987,888)	2,271,530
Bills receivable	(76,519)	10,376	30,328	(39,104)	(61,639)
Trade bills	(206,910)	101,568	(151,188)	(160,002)	(24,221)
Other advances to customers	(3,149,892)	1,004,711	2,308,169	(3,038,660)	(5,053,440)
Advances to banks and other financial institutions	1,746,471	(2,152,219)	(659,433)	(980,509)	(524,900)
Financial assets at fair value through profit or loss	1,122,060	329,766	632,179	(71,136)	(1,197,723)
Increase (decrease) in operating liabilities:					
Deposits from customers	1,247,167	193,295	2,693,035	1,315,494	2,711,804
Certificates of deposit	(490,125)	70,015	(877,926)	1,545,562	—
Deposits and balances of banks and other financial institutions with original maturity over three months	(771,531)	1,388,924	1,003,864	(581)	996
Financial assets sold under repurchase agreements	3,668	(53,677)	13,029	420,652	—
Other accounts and accruals	(13,113)	70,034	127,317	64,126	(168,882)
Derivative financial instruments	39,156	(88,161)	(51,127)	54,607	106,536

	Six months ended 30 June 2013 HK\$'000	Six months ended 30 June 2012 HK\$'000	Year ended 31 December 2012 HK\$'000	Year ended 31 December 2011 HK\$'000	Year ended 31 December 2010 HK\$'000
Cash (used in) generated from operations	(3,329,185)	278,362	795,092	(1,319,339)	(1,456,357)
Hong Kong Profits Tax paid	(2,486)	(5,640)	(99,265)	(118,437)	(23,846)
Overseas tax paid	(9,176)	(9,006)	(16,409)	(17,461)	(2,302)
Interest received	641,460	622,913	1,219,979	1,112,206	824,345
Interest paid	(273,295)	(324,545)	(605,553)	(436,416)	(292,728)
<b>NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES</b>	<b>(2,972,682)</b>	<b>562,084</b>	<b>1,293,844</b>	<b>(779,447)</b>	<b>(950,888)</b>
<b>INVESTING ACTIVITIES</b>					
Interest received from available-for-sale securities and held-to-maturity securities	170,783	112,589	274,151	222,805	317,065
Dividends received on investments	5,246	6,036	10,799	9,820	7,733
Dividend received from associates	4,200	—	7,360	1,050	1,680
Purchase of held-to-maturity securities	(12,987,556)	(10,512,040)	(20,184,070)	(6,786,192)	(28,536,272)
Purchase of available-for-sale securities	(535,943)	(1,048,593)	(2,168,631)	(703,916)	(944,791)
Purchase of property and equipment	(14,479)	(62,141)	(70,105)	(247,951)	(22,162)
Proceeds from redemption of held-to- maturity securities	11,030,602	8,101,919	18,872,132	9,376,156	34,612,692
Proceeds from sale and redemption of available-for-sale securities	199	468	1,748	39,972	60,413
Proceeds from disposal of property and equipment	199	3	6	—	125
Proceeds from disposal of investment properties	3,927	4,316	4,316	—	635
<b>NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES</b>	<b>(2,322,822)</b>	<b>(3,397,443)</b>	<b>(3,252,294)</b>	<b>1,911,744</b>	<b>5,497,118</b>
<b>FINANCING ACTIVITIES</b>					
Interest paid on loan capital	(31,806)	(32,820)	(65,225)	(64,325)	(12,654)
Net proceeds from issue of loan capital	—	—	—	—	1,738,324
Repurchase of loan capital	—	—	—	(783,196)	(190,250)
Dividends paid	(152,250)	(152,250)	(200,100)	(217,500)	(130,500)
<b>NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>	<b>(184,056)</b>	<b>(185,070)</b>	<b>(265,325)</b>	<b>(1,065,021)</b>	<b>1,404,920</b>
Net (decrease) increase in cash and cash equivalents	(5,479,560)	(3,020,429)	(2,223,775)	67,276	5,951,150
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>14,868,955</b>	<b>17,092,730</b>	<b>17,092,730</b>	<b>17,025,454</b>	<b>11,074,304</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR</b>	<b>9,389,395</b>	<b>14,072,301</b>	<b>14,868,955</b>	<b>17,092,730</b>	<b>17,025,454</b>

	Six months ended 30 June 2013 <i>HK\$'000</i>	Six months ended 30 June 2012 <i>HK\$'000</i>	Year ended 31 December 2012 <i>HK\$'000</i>	Year ended 31 December 2011 <i>HK\$'000</i>	Year ended 31 December 2010 <i>HK\$'000</i>
Represented by:					
Cash and balances with bank and other financial institutions	3,597,412	5,646,106	6,060,810	6,393,092	11,677,098
Money at call and short notice with original maturity of less than three months	6,489,238	6,466,078	7,565,351	7,549,078	5,843,461
Exchange fund bills with original maturity of less than three months	49,999	1,799,972	499,995	3,299,912	—
Placements with banks and other financial institutions maturing between one and twelve months with original maturity of less than three months	827,166	1,462,188	1,309,116	664,188	271,009
Deposits and balances of banks and other financial institutions with original maturity of less than three months	<u>(1,574,420)</u>	<u>(1,302,043)</u>	<u>(566,317)</u>	<u>(813,540)</u>	<u>(766,114)</u>
	<u>9,389,395</u>	<u>14,072,301</u>	<u>14,868,955</u>	<u>17,092,730</u>	<u>17,025,454</u>

**Notes to the Unaudited Condensed Consolidated Financial Information**

*For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013*

**1. GENERAL**

On 25 October 2013, Yuexiu, the Company, LCH Estate, L. Holdings and Alba entered into the LCHI Irrevocable Undertaking, under which the Company has agreed to procure LCH Estate to accept, and LCH Estate has agreed to accept, the Partial Offer in respect of all of the CHB Shares owned by LCH Estate and Alba has agreed to accept the Partial Offer in respect of all of the CHB Shares owned by Alba. The IU Commitment is conditional on approval by Shareholders. Upon completion of the IU Commitment, CHB will cease to be the subsidiary of the Company and LCH Estate.

The financial information is presented in Hong Kong dollars, the currency of primary economic environment in which CHB operates (the functional currency of CHB).

**2. BASIS OF PRESENTATION OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION OF THE CHB GROUP**

The financial information of the CHB Group for the three years ended 31 December 2012 and six months ended 30 June 2013 (collectively the “**Relevant Periods**”) has been prepared in accordance with paragraph 68(2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in the circular to be issued by LCHI in connection with the Partial Offer.

The financial information has been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values. The amounts included in the financial information for the Relevant Periods have been prepared using the same accounting policies adopted by the CHB Group in the preparation of condensed consolidated financial statements of the CHB Group for the respective years and periods in the Relevant Periods, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated financial information does not contain sufficient information to constitute a complete set of consolidated financial statements as defined in Hong Kong Accounting Standard 1 “Presentation of Financial Statements” nor a set of condensed consolidated financial statements as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. In addition, for the purpose of the preparation of the unaudited condensed consolidated financial information, the comparative financial information for the year ended 31 December 2009 has not been presented.

## UNAUDITED FINANCIAL INFORMATION OF THE PROPERTY

Under Rule 14.67(6)(b)(i) of the Listing Rules, the Company is required to include in this circular a profit and loss statement of the Property for the three financial years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 (the “**Relevant Periods**”) on the identifiable net income stream in relation to the Property which must be reviewed by the auditors or the reporting accountants to ensure that such information has been properly compiled and derived from the underlying books and records.

During the Relevant Periods and subsequently, the Property has been held by CHB and not by a special purpose vehicle. CHB is not required to, and does not, maintain any separate financial statements or accounting records in relation to the Property for the Relevant Periods. In order for Deloitte to review any profit and loss statement in relation to the Property in compliance with Rule 14.67(6)(b)(i), Deloitte has to be satisfied that a systematic and justifiable basis is used to allocate administrative expenses to the Property for the purpose of compiling a complete and accurate set of financial statements in relation to the Property for the Relevant Periods. This would be unduly burdensome for CHB in light of the large number of administrative expense items incurred during the Relevant Periods (including, but not limited to, costs arising from office management, repairs and maintenance, electricity and water supplies, security systems and information technology infrastructure which are difficult to separate as between the premises leased to LCHI and the premises occupied by the CHB Group).

Such financial statements, if prepared, would be of limited value to Shareholders in assessing any net income which may be generated by the Property after the Property Transfer because (i) a substantial part of the portions of the Property which are currently occupied by CHB Group (and therefore do not currently generate any revenue) will be leased to CHB after the Property Transfer; and (ii) the portions of the Property which are currently leased to the Group (excluding the CHB Group) will be occupied by the Group (excluding the CHB Group) and therefore cease to generate revenue after the Property Transfer.

The Company has therefore applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 14.67(6)(b)(i) of the Listing Rules to the effect that the following information is disclosed instead.

	<b>For the period from 1 January 2013 to 30 June 2013 HK\$'000</b>	<b>For the period from 1 January 2012 to 31 December 2012 HK\$'000</b>	<b>For the period from 1 January 2011 to 31 December 2011 HK\$'000</b>	<b>For the period from 1 January 2010 to 31 December 2010 HK\$'000</b>
Rental income attributable to the Property (before expenses)	<u>4,380</u>	<u>8,760</u>	<u>7,733</u>	<u>7,733</u>

## Notes:

- The rental income for the period from 1 January 2010 to 31 December 2011 is derived from the tenancy agreement dated 25 September 2009 entered into between CHB (as lessor) and the Company (as lessee) in respect of 21st, 22nd, 23rd, and 25th floors of the Property ( “**Tenancy Agreement A**”). The term of Tenancy Agreement A was from 1 January 2009 to 31 December 2011 (both days inclusive). Under Tenancy Agreement A, the monthly rent was HK\$644,424 (exclusive of government rent and rates, management fees and air-conditioning charges).
- The rental income for the period from 1 January 2012 to 30 June 2013 is derived from the tenancy agreement dated 3 July 2012 entered into between CHB (as lessor) and the Company (as lessee) in respect of 21st, 22nd, 23rd, and 25th floors of the Property ( “**Tenancy Agreement B**”). The term of Tenancy Agreement B is from 1 January 2012 to 31 December 2014 (both days inclusive). Under Tenancy Agreement B, the monthly rent was HK\$730,000 (exclusive of government rent and rates, management fees and air-conditioning charges). Upon completion of the Property Transfer, Tenancy Agreement B will end by operation of law.
- Pursuant to each of Tenancy Agreement A and Tenancy Agreement B (together, the “**Tenancy Agreements**”), the Company is responsible for, inter alia, the payment of rates imposed on or otherwise attributable to the leased premises and 15% of the management fees, air-conditioning charges and charges for electricity, water and gas in respect of the Property. The amount of rates paid by LCHI under the Tenancy Agreements for each of the six months ended 30 June 2013 and the three years ended 31 December 2012, 2011 and 2010 is set out below.

	For the period from 1 January 2013 to 30 June 2013 HK\$'000	For the period from 1 January 2012 to 31 December 2012 HK\$'000	For the period from 1 January 2011 to 31 December 2011 HK\$'000	For the period from 1 January 2010 to 31 December 2010 HK\$'000
Rates paid by LCHI under the Tenancy Agreements	185	348	330	316

- The amount of management fees in relation to the Property payable by the occupants of the Property in aggregate for each of the six months ended 30 June 2013 and the three years ended 31 December 2012, 2011 and 2010 is set out below.

	For the period from 1 January 2013 to 30 June 2013 HK\$'000	For the period from 1 January 2012 to 31 December 2012 HK\$'000	For the period from 1 January 2011 to 31 December 2011 HK\$'000	For the period from 1 January 2010 to 31 December 2010 HK\$'000
Management fee in relation to the Property paid by the occupants of the Property	3,854	7,708	7,708	7,961

- The financial information of the Property set out above was prepared using accounting policies which are materially consistent with those of the Group.
- The following procedures have been undertaken by Deloitte, the auditors of the Company, in accordance with the Hong Kong Standard on Related Services 4400 “**Engagements to Perform Agreed Upon Procedures Regarding Financial Information**” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), with respect to the Tenancy Agreements.

Deloitte has:

- (A) obtained from the management of the Company a rental income summary of CHB (the “**Rental Income Summary**”) and checked its arithmetical accuracy; and
- (B) compared the particulars of the tenant’s name, tenancy periods and monthly rental amounts (the “**Particulars**”) as shown in the Rental Income Summary to the Tenancy Agreements provided by the management of the Company.

Deloitte’s findings are as follows:

- (i) with respect to procedure (A), Deloitte found that the Rental Income Summary was arithmetically accurate; and
- (ii) with respect to procedure (B), Deloitte found that the Particulars as shown in the Rental Income Summary were in agreement with that contained in the Tenancy Agreements provided by the management of the Company.

Because the above procedures do not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements, or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA, Deloitte does not express any assurance on the Rental Income Summary.

Had Deloitte performed additional procedures or had Deloitte performed an assurance engagement on the Rental Income Summary in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements, or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA, other matters might have come to Deloitte’s attention that would have been reported to the Company.

Set out below is the management discussion and analysis of the Remaining Group for the six months ended 30 June 2013 and for each of the three years ended 31 December 2012, 2011 and 2010.

**(A) MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**1. Property Investment**

*Overall rental revenue*

For the six-month period ended 30 June 2013, the Remaining Group recorded rental revenue of HK\$132.6 million, similar to the corresponding figure for the six-month period ended 30 June 2012. Increase of rental revenue of HK\$7.4 million from Chong Hing Square was offset by the decrease of rental revenue of HK\$7.3 million from Western Harbour Centre since all tenants of Western Harbour Centre had moved out in May 2012.

*Overall occupancies*

The overall occupancies from the major investment properties of the Remaining Group were at 88% as at 30 June 2013. If taking into account of the leasing area of the retail shops of The Grand Riviera in Foshan, the overall occupancies were 80%.

*Hong Kong properties*

*Chong Hing Square*

For the six-month period ended 30 June 2013, Chong Hing Square generated rental revenue of HK\$50.2 million, representing an increase of HK\$7.4 million when compared with the corresponding figure for the six-month period ended 30 June 2012. The occupancy rate of Chong Hing Square was 93% as at period end.

*Western Harbour Centre*

The Remaining Group planned to renovate the Western Harbour Centre into a lifestyle business hotel or serviced apartment. Application to the Town Planning Board for changing the existing usage into hotel use has been approved. Since all tenants had moved out the building in May 2012, no rental revenue was booked in the six-month period ended 30 June 2013.

*Chong Yip Shopping Centre*

For the six-month period ended 30 June 2013, Chong Yip Shopping Centre generated rental revenue of HK\$9.9 million with an occupancy rate of 96%.



*Fairview Court*

Fairview Court recorded rental revenue of HK\$2.8 million in the six-month period ended 30 June 2013 as comparing to HK\$3.4 million in the six-month period ended 30 June 2012. As at 30 June 2013, the occupancy rate of Fairview Court was 60%.

*PRC properties**Chong Hing Finance Center, Shanghai*

For the six-month period ended 30 June 2013, Chong Hing Finance Center, a grade A commercial and office building in Shanghai, generated rental revenue of HK\$67.0 million, similar to the corresponding period in 2012. The occupancy rate of the office tower was 84% and commercial and retail areas were fully let as at 30 June 2013.

**2. Property Development***PRC**The Grand Riviera, Foshan*

In 2007, the Group acquired a plot of land with a site area of over 260,000 square metres in Luocun, Foshan through government land auction at a cash consideration of RMB476 million. This was a comprehensive development and would be developed in phases. In the first phase of the development, 12 blocks of 6–14 storey high-class residential flats were constructed. A total of 847 residential units with sizes ranging from 55 to 400 square metres were provided. It also provided retail and commercial areas of approximately 8,600 square metres and a stand-alone clubhouse of approximately 6,800 square metres. Including other recreational facilities areas and 1,246 car parking spaces mainly built at the basement level, total construction area was over 181,000 square metres. The construction of phase 1 development was completed and the apartment units were handed over to buyers in December 2011. Sales revenue started to recognise in the year of 2011.

Up to 30 June 2013, a total of 410 residential units (representing 43% of the total units) and 148 car parking units (representing 13% of the total units) were sold fetching total cash proceeds of approximately RMB333.2 million.

On 4 February 2013, the Group entered into a framework agreement with an independent third party for selling the entire share interests of a subsidiary whose main asset is the property development of The Grand Riviera residential project in Foshan for a total consideration of approximately RMB1,699 million. However, the framework agreement has terminated in accordance with the terms therein because no formal sale and purchase agreement has been signed by the parties by 21 April 2013.

***Budget hotel project***

In 2013, the Remaining Group continued to operate four budget hotels, two in Shanghai, one in Beijing and one in Guangzhou. All of these budget hotels were managed by China Lodging Group, Limited under the brand name of Hanting.

For the six-month period ended 30 June 2013, all hotels recorded positive EBITDA with total revenue of HK\$24.6 million, similar to that in the six-month period ended 30 June 2012. Occupancy and room rates maintained at a steady level.

**3. Finance and Treasury Operations*****Bank borrowings movement***

The total bank borrowings of the Remaining Group decreased from HK\$3,764.7 million as at 31 December 2012 to HK\$3,698.7 million as at 30 June 2013.

***Banking facilities***

The total outstanding bank borrowings of the Remaining Group as at 30 June 2013 was 74% unsecured with almost 100% being on a committed basis. As at 30 June 2013, all borrowings were on a floating rate basis. The outstanding bank borrowings were denominated in Hong Kong dollar and Renminbi as at 30 June 2013. In managing the debt portfolio, the Remaining Group had endeavoured to maintain diversified sources to obtain the required funding. The major source of financing came from the banking sectors. The Remaining Group had bilateral banking facilities with over 13 banks, most of which had established long-term relationship with the Remaining Group.

The gearing ratio, which is calculated by dividing net debt (being debt less cash and deposits) by the shareholders' funds, was approximately 33.2% as at 30 June 2013 (compared with 35.0% as at 31 December 2012).

***Cost of funding***

In the 6-month period ended 30 June 2013, the net borrowing margins in the money market increased.

The Remaining Group's weighted average cost of borrowing increased slightly during the 6-month period ended 30 June 2013. The Company expected that the cost of funding paid for renewing of banking facilities would increase gradually as most banks would charge a higher interest rate to protect their business risk.

***Liquidity risk and cash balances***

It was the financial policy of the Group, of which the Remaining Group formed part, to maintain low leverage and high liquidity. To maintain sufficient liquidity would not only help the Group to fulfill all short term payment obligations but also to improve the Group's working capital.

Liquidity of the Remaining Group mainly came from recurring rental income of various investment properties, cash sale proceeds from various completed and uncompleted development projects, and committed banking facilities.

The cash and cash equivalents of the Remaining Group were denominated in Hong Kong dollar, Renminbi and the US dollar as at 30 June 2013.

#### *Loan maturity analysis*

Liquidity risk could be further reduced by extending the loan tenors. The Remaining Group's debt maturity portfolio is spread out over a medium term, with more than 18% of debts becoming due within 2 years, and 31% of debts becoming due over 2 but within 5 years respectively. Such a maturity structure allows the Remaining Group to have more flexibility on refinancing measures.

#### *Risk management*

In managing interest rate and foreign exchange exposures, the Remaining Group might use certain derivative instruments such as interest rate swaps, cross currency swaps, forward rate agreements and foreign exchange contracts. It was the policy of the Group, of which the Remaining Group formed part, to allow using derivatives for hedging purposes only. The Remaining Group did not use any derivative instruments in the six months ended 30 June 2013.

#### *Interest rate exposure*

The volatility and uncertainty of the movement of interest rate might result in a potential negative impact to the Remaining Group's financial position. The management continued to actively review the movement of interest rate so as to minimise the financial impact.

#### *Foreign exchange exposure*

As at 30 June 2013, foreign exchange exposure related to some major investments in Guangzhou, Shanghai and Foshan projects which altogether amounted to an equivalent of about HK\$4,361.0 million or 49.3% of the Remaining Group's assets. Such foreign exchange exposure was in Renminbi.

#### *Pledge of assets*

As at 30 June 2013, the Remaining Group had pledged investment properties of an aggregate carrying value of approximately HK\$3,416 million to secure general banking facilities made available to the Remaining Group.

#### *Employees and remuneration policies*

As at 30 June 2013, the Remaining Group had around 197 full time employees.

During the six-month period ended 30 June 2013, the remuneration policy of the Group, of which the Remaining Group formed part, was to ensure that the pay levels of its employees were reasonable and competitive in the market and their total rewards including basic salary and bonus system were linked with their performance. Training programmes were provided to employees.

As at 30 June 2013, no options have been granted under the share option scheme of the Group since such scheme was adopted on 9 May 2012.

## **(B) MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP FOR THE YEAR ENDED 31 DECEMBER 2012**

### **1. Property Investment**

#### *Overall rental revenue*

For the year ended 31 December 2012, the Remaining Group recorded gross rental revenue of HK\$264.4 million, representing 1% increase comparing to that of 2011. Increase of rental revenue of HK\$15.6 million from Shanghai Chong Hing Finance Center and HK\$12.4 million from Chong Hing Square was partially offset by the decrease of rental revenue of HK\$8 million from Guangzhou Chong Hing Plaza, which generated annual rental revenue of approximately HK\$20 million. Since Guangzhou Chong Hing Plaza was disposed of in May 2011, no rental revenue from this property was booked in 2012. The Remaining Group's rental revenue was further affected by the redevelopment of Western Harbour Centre, an office building located at 181 Connaught Road West. Due to the redevelopment of the office building, all tenants had moved out in May 2012. Western Harbour Centre only recorded rental revenue of HK\$7.3 million in 2012 as comparing to that of HK\$24.9 million in 2011.

#### *Overall occupancies*

The overall occupancies from the major investment properties of the Remaining Group maintained at 93% as at 31 December 2012.

#### *Hong Kong Properties*

##### *Chong Hing Square*

Chong Hing Square, a 20-storey retail/commercial development situated in Mongkok, Kowloon, offered 182,000 square feet of retail and recreational space for lease. For the year ended 31 December 2012, Chong Hing Square generated annual revenue of approximately HK\$88.4 million, representing an increase of HK\$12.4 million when compared to the corresponding figure for 2011. Chong Hing Bank was fully let as at 31 December 2012.

*Chong Yip Shopping Centre*

Chong Yip Shopping Centre is located at 402–404 Des Voeux Road West. It provided over 54,000 square feet of retail and commercial space for lease. For the year ended 31 December 2012, this retail and commercial shopping centre generated rental revenue of HK\$19.2 million, representing an increase of 5% when compared with the corresponding figure for 2011. As at 31 December 2012, the occupancy rate of Chong Yip Shopping Centre was 96%.

*Fairview Court*

Fairview Court is located at 94 Repulse Bay Road. It provided 5 luxury apartment units, each of area over 4,100 square feet, on a low-rise building. For the year ended 31 December 2012, Fairview Court recorded rental revenue of HK\$6.4 million, representing an increase of 20% when compared with the corresponding figure for 2011. As at 31 December 2012, the occupancy rate of Fairview Court was 60%.

*Western Harbour Centre*

Western Harbour Centre, a 28-storey grade A office building located at 181–183 Connaught Road West, Hong Kong, and near the Western Harbour Tunnel, provided over 140,000 square feet office space for lease. The Remaining Group planned to renovate the Western Harbour Centre into a lifestyle business hotel. Application to Town Planning Board for changing the existing usage into hotel use was made. Since all tenants had moved out the building in May 2012, it only recorded rental revenue of HK\$7.3 million in 2012, representing a decrease of 71% comparing to that of 2011.

*PRC Properties**Chong Hing Finance Center, Shanghai*

Chong Hing Finance Center, Shanghai is located at 288, Nanjing Road West, Huang Pu District, Shanghai. This 36-storey grade A office commercial building, completed in 2008, provided over 516,000 square feet of office and commercial space and 198 carparking spaces for lease.

For the year ended 31 December 2012, this grade A office/commercial building generated rental revenue of HK\$139.6 million, representing an increase of 13% when compared to the corresponding figure for 2011. The occupancy rate of the office tower was 90% and commercial and retail areas were fully let as at 31 December 2012.

## 2. Property Development

### *Hong Kong*

#### *Tai Po, New Territories*

The Remaining Group had acquired a 262,000 square feet plot of land in Tai Po district, New Territories. The management had initiated the studies for rezoning and intended to seek eventual conversion of this land for future residential use.

### *PRC*

#### *The Grand Riviera, Foshan*

The first phase of the development of The Grand Riviera, Foshan was completed in 2011 and the construction completion certificate was obtained in December 2011. As at 31 December 2012, a total of 405 residential units (representing 48% of the total units) and 139 car parking units (representing 12% of the total units) were sold fetching total cash proceeds of approximately RMB326 million.

#### *Budget Hotel Project*

Since 2008, the Remaining Group had started to operate budget hotel business. In 2012, the Remaining Group continued to operate four budget hotels, two in Shanghai, one in Beijing and one in Guangzhou. All of these budget hotels were managed under the brand name of Hanting.

For the year ended 31 December 2012, all hotels had achieved improvements in business revenue, occupancy and average room rate. The total revenue had increased from approximately HK\$44 million in 2011 to approximately HK\$49 million in 2012.

## 3. Finance and Treasury Operations

### *Bank borrowings movement*

As at 31 December 2012, the Remaining Group's total bank borrowings had increased from HK\$3,356.1 million to HK\$3,764.7 million.

### *Banking facilities*

The total outstanding bank borrowings of the Remaining Group as at 31 December 2012 was 75% unsecured with almost 100% being on a committed basis. As at 31 December 2012, all borrowings were on a floating rate basis. The outstanding bank borrowings were denominated in Hong Kong dollar and Renminbi as at 31 December 2012. In managing the debt portfolio, the Remaining Group had endeavoured to maintain diversified sources to obtain the required funding. The major source of financing came from the banking sector. The Remaining Group had bilateral banking facilities with over 13 banks, most of which have established long-term relationship with the Remaining Group.

The gearing ratio, which is calculated by dividing net debt (being debt less cash and deposits) by the shareholders' funds, was approximately 35.0% as at 31 December 2012 (compared with 35.6% as at 31 December 2011).

### *Cost of funding*

In 2012, the net borrowing margins in the money market increased.

The Remaining Group's weighted average cost of borrowing increased slightly during the year. The Company expected that the cost of funding paid for renewing of banking facilities would increase gradually as most banks would charge a higher interest rate to protect their business risk.

### *Liquidity risk and cash balances*

It was the financial policy of the Group, of which the Remaining Group formed part, to maintain low leverage and high liquidity. To maintain sufficient liquidity would not only help the Group to fulfill all short term payment obligations but also to improve the Group's working capital.

Liquidity of the Remaining Group mainly came from recurring rental income of various investment properties, cash sale proceeds from various completed and uncompleted development projects, dividend from Chong Hing Bank and committed banking facilities.

The cash and cash equivalents of the Remaining Group were denominated in Hong Kong dollar, Renminbi and the US dollar as at 31 December 2012.

### *Loan maturity analysis*

Liquidity risk could be further reduced by extending the loan tenors. The Remaining Group's debt maturity portfolio was spread out over a medium term, with more than 46% of debts becoming due within 2 years, and 18% of debts becoming due over 2 but within 5 years respectively. Such a maturity structure allows the Remaining Group to have more flexibility on refinancing measures.

### *Risk management*

In managing interest rate and foreign exchange exposures, the Remaining Group might use certain derivative instruments such as interest rate swaps, cross currency swaps, forward rate agreements and foreign exchange contracts. It was the policy of the Group, of which the Remaining Group formed part, to allow using derivatives for hedging purposes only. The Remaining Group did not use any derivative instruments in the year ended 31 December 2012.

### *Interest rate exposure*

The volatility and uncertainty of the movement of interest rate might result in a potential negative impact to the Remaining Group's financial position. The management actively reviewed the movement of interest rate so as to minimize the financial impact.

*Foreign exchange exposure*

It was the policy of the Group, of which the Remaining Group formed part, to minimise mismatch in currency and not to speculate in currency movement. During 2012, a total amount of HK\$79 million was converted by the Remaining Group into Renminbi, mainly for paying construction costs in Foshan project.

As at 31 December 2012, other foreign exchange exposure related to some major investments in Guangzhou, Shanghai and Foshan projects which altogether amounted to an equivalent of about HK\$4,318.4 million or 48.3% of the Remaining Group's assets. Such foreign exchange exposure was in Renminbi.

*Pledge of assets*

As at 31 December 2012, the Remaining Group had pledged investment properties of an aggregate carrying value of approximately HK\$3,335.7 million to secure general banking facilities made available to the Remaining Group.

*Employees and remuneration policies*

As at 31 December 2012, the Remaining Group had around 201 full time employees.

In 2012, the remuneration policy of the Group, of which the Remaining Group formed part, was to ensure that the pay levels of its employees were reasonable and competitive in the market and their total rewards including basic salary and bonus system were linked with their performance. Training programmes were provided to employees.

The Group adopted a share option scheme on 9 May 2012 which replaced the previous share option scheme. As at 31 December 2012, no options have been granted under any share option scheme of the Group.

**(C) MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP  
FOR THE YEAR ENDED 31 DECEMBER 2011****1. Property Investment***Overall results*

For the year ended 2011, the Remaining Group's rental revenue increased by HK\$16 million, representing an approximately 6% increase, to HK\$263 million as compared to that of 2010. The increase was attributable to the improvement of rental income mainly from Shanghai Chong Hing Finance Centre and Chong Hing Square.

Overall occupancy of the investment properties of the Remaining Group remained at 95% as at 31 December 2011.



*Hong Kong Properties**Chong Hing Square*

For the year 2011, the rental revenue of Chong Hing Square recorded a 14% increase with 96% occupancy rate achieved as at year end.

In an initiative to realign the tenant mix, the Remaining Group entered into leases with some famous retailers including Chow Tai Fook (a jewellery retailer) and Halewinner (a watch retailer). Overall rental revenue of this building increased by 11% in the year 2012.

*Chong Yip Shopping Centre*

For the year 2011, Chong Yip Shopping Centre maintained 99% occupancy with stable rental revenue for the year 2011.

*Western Harbour Centre*

Western Harbour Centre continued to maintain occupancy of over 92% with stable rental revenue. The Remaining Group planned to convert or redevelop this property for residential use.

*Fairview Court*

Fairview Court recorded 80% occupancy as at 31 December 2011 and stable rental revenue for 2011.

*PRC properties**Chong Hing Finance Center, Shanghai*

For the year 2011, the rental revenue generated from Shanghai Chong Hing Finance Center increased to HK\$124 million. The Remaining Group intended to retain this property for long-term rental purpose. Total investment in this project was about RMB1.2 billion. The Remaining Group owned 95% of this property and the remaining 5% was owned by a subsidiary of the Municipal Government of Huang Pu District, Shanghai.

*Disposal of Chong Hing Plaza, Guangzhou*

On 23 May 2011, the Remaining Group entered into a sale and purchase agreement with an independent third party for selling the share capital of Prime Ocean Development Limited (“**Prime Ocean**”) at cash consideration of RMB350 million (or approximately HK\$418.7 million). Prime Ocean was an investment holding company and its main asset was holding Guangzhou Chong Hing Plaza. The transaction was completed and the cash consideration was fully received by the Remaining Group. After the completion of the disposal, the Remaining Group recorded a gain on disposal of subsidiary of approximately HK\$51.3 million and

realised gain on change in fair value for an investment property disposed during 2011 of HK\$99.9 million. The sale proceeds received by the Remaining Group was for general working capital purpose.

## 2. Property Development

### *Hong Kong*

#### *Tai Po, New Territories*

The Remaining Group had acquired a 240,000 square feet plot of land in Tai Po, New Territories. Initial studies for rezoning had begun in 2011 and the Remaining Group intended to seek eventual conversion of this land for future residential use.

#### *Chatham Gate*

Chatham Gate, a redevelopment project, comprised two 30-storey residential blocks above a commercial podium. The Remaining Group owned 10% interests in the project. Pre-sale of the residential units had commenced in 2011 and the result was satisfactory.

### *PRC*

#### *The Grand Riviera, Foshan*

The first phase of the development of The Grand Riviera, Foshan was completed in 2011 and the construction completion certificate was obtained in December 2011. As at 31 December 2011, a total of 399 residential units, representing 47.1% of the total units, were sold fetching cash proceeds of approximately HK\$374 million.

The Company believed that the tightening policy promulgated by the central government would continued in the years ahead. Various measures including the restriction on purchasing the second and/or third flat units had stalled further selling. However, the Company had confidence in the project given the overwhelming market recognition to the property in terms of the building quality and design.

#### *Budget hotel project*

In view of China's fast growing hospitality industry and strong demand for affordable hotel accommodation, the Remaining Group had started the budget hotel business since 2008. As at 31 December 2011, the Remaining Group had two hotels in Shanghai, one in Beijing, and one in Guangzhou. Despite the seasonal factor, each of the hotels had maintained its business and occupancy similar to that of last year.

### 3. Finance and Treasury Operations

#### *Bank borrowings movement*

The Remaining Group's total bank borrowings decreased from HK\$3,661.3 million as at 31 December 2010 to HK\$3,356.1 million as at 31 December 2011.

#### *Change of cash flow*

The Remaining Group's cash flow position has improved in 2011. The improvement was mainly due to the cash rental revenue from the Group's investment properties as well as cash sale proceeds from The Grand Riviera, Foshan. Total annual rental revenue received was HK\$263 million. Cash proceeds from the sale of The Grand Riviera, Foshan was HK\$374 million.

#### *Major capital expenditure*

The debt-to-equity ratio of the Remaining Group has reduced from 43.8% as at 31 December 2010 to 35.6% as at 31 December 2011.

#### *Banking facilities*

The total outstanding bank borrowings of the Remaining Group as at 31 December 2011 were 81% unsecured with almost 100% being on a committed basis. As at 31 December 2011, all borrowings were on a floating rate basis. The outstanding bank borrowings were denominated in Hong Kong dollar and Renminbi as at 31 December 2011. In managing the debt portfolio, the Group had endeavoured to maintain diversified sources to obtain the required funding. In 2011, the major source of financing of the Remaining Group came from the banking sector. The Remaining Group had bilateral banking facilities with over 13 banks, most of which had established long-term relationship with the Remaining Group.

The gearing ratio, which is calculated by dividing net debt (being debt less cash and deposits) by the shareholders' funds, was approximately 35.6% as at 31 December 2011 (compared with 43.8% as at 31 December 2010).

#### *Cost of funding*

In 2011, the net borrowing margins in the money market increased continuously.

The Remaining Group's weighted average cost of borrowing increased slightly during 2011, The Company expected that the cost of funding incurred for renewing of banking facilities would increase gradually as most banks would charge a higher interest rate to protect their business risk.

*Liquidity risk and cash balances*

It was the financial policy of the Group, of which the Remaining Group formed part, to maintain low leverage and high liquidity. To maintain sufficient liquidity would not only help the Remaining Group to fulfill all short term payment obligations but also to improve the Remaining Group's working capital.

Liquidity of the Remaining Group mainly came from recurring rental income of various investment properties, cash sale proceeds from various completed and uncompleted development projects, dividend from Chong Hing Bank and committed banking facilities. The Remaining Group's undrawn committed facilities stood at HK\$789 million as at 31 December 2011. Together with bank deposits of HK\$629 million, the Remaining Group had available funding of over HK\$1,418 million as at 31 December 2011.

The cash and cash equivalents of the Remaining Group were denominated in Hong Kong dollar, Renminbi and the US dollar as at 31 December 2011.

*Loan maturity analysis*

Liquidity risk could be further reduced by extending the loan tenors. The Remaining Group's debt maturity portfolio was spread out over a medium term, with more than 21% of debts becoming due within 2 years, and 41% of debts becoming due over 2 but within 5 years respectively. Such a maturity structure allows the Remaining Group to have more flexibility on refinancing measures.

*Risk management*

In managing interest rate and foreign exchange exposures, the Remaining Group might use certain derivative instruments such as interest rate swaps, cross currency swaps, forward rate agreements and foreign exchange contracts. It was the policy of the Group, of which the Remaining Group formed part, to allow using derivatives as hedging purposes only. The Remaining Group did not use any derivative instruments in the year ended 31 December 2011.

*Interest rate exposure*

The volatility and uncertainty of the movement of interest rate might result in a potential negative impact to the Remaining Group's financial position. The Company actively reviewed the movement of interest rate so as to minimize the financial impact.

*Foreign exchange exposure*

It was the policy of the Group, of which the Remaining Group formed part, to minimize mismatch in currency and not to speculate in currency movement. In 2011, a total amount of HK\$104 million was converted by the Remaining Group into Renminbi, mainly for paying construction costs in Foshan project.

As at 31 December 2011, other foreign exchange exposure related to some major investments in Guangzhou, Shanghai and Foshan projects which altogether amounted to the equivalent of about HK\$4,190.1 million or 48.4% of the Remaining Group's assets. Such foreign exchange exposure was in Renminbi.

The Company had been closely monitoring the currency movement of Renminbi as mainland property investment and development projects denominated in Renminbi placed a significant portion to the Remaining Group's total assets. However, cash revenue received from Shanghai Chong Hing Finance Centre, budget hotel projects and cash sales proceeds from Foshan could eliminate part of the foreign currency exposure against the payment of construction costs in Foshan project.

#### *Pledge of assets*

As at 31 December 2011, the Remaining Group had pledged investment properties of an aggregate carrying value of approximately HK\$3,969.5 million to secure general banking facilities made available to the Remaining Group.

#### *Employees and remuneration policies*

As at 31 December 2011, the Remaining Group had around 230 full time employees.

In 2011, the remuneration policy of the Group, of which the Remaining Group formed part, was to ensure that the pay levels of its employees are reasonable and competitive in the market and their total rewards including basic salary and bonus system are linked with their performance. Training programmes were provided to employees.

As at 31 December 2011, no options had been granted under the share option scheme of the Group since such scheme was adopted on 25 April 2002.

### **(D) MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **1. Property Investment**

The year 2010 continued to be an active year for Hong Kong's property market, in particular many new price records were set in the residential sector of the market. The Remaining Group was cautiously optimistic that the property market would continue a healthy trend in 2011, although rise in prices may be slower than 2010.

#### *Hong Kong*

##### *Chong Hing Square*

Chong Hing Square has been 97% let in 2010 with modest increase of rental revenue.

*Chong Yip Shopping Centre*

Chong Yip Shopping Centre was 97% let in 2010 and rental revenue has remained stable.

*Western Harbour Centre*

Western Harbour Centre was 100% let in 2010 and rental revenue increased by 2% over the previous year.

*Fairview Court*

Fairview Court is a 6-unit luxury low-rise apartment building in Repulse Bay, Hong Kong, of which the Remaining Group owned 5 units as at 31 December 2010. At 31 December 2010, 4 units were let out.

**PRC***Chong Hing Finance Centre, Shanghai*

The Remaining Group intended to retain Chong Hing Finance Centre for long-term rental purpose. Total investment in this project was about RMB1.4 billion. The Remaining Group owned 95% of this property and the remaining 5% was owned by a subsidiary of the Municipal Government of Huang Pu District, Shanghai. This office building was 95% let as at 31 December 2010 and was expected to bring RMB100 million in annual rental revenue when fully let.

*Chong Hing Plaza, Guangzhou*

The Remaining Group acquired Chong Hing Plaza, a 5-storey shopping mall in Guangzhou, in 2006. The shopping mall had a gross floor area of 188,000 square feet. The Remaining Group completed renovations in 2010 to upgrade this property both of rental revenue and occupancy. This property was 99% let.

**2. Property Development***Hong Kong**Tai Po, New Territories*

In early 2007, the Remaining Group acquired a 240,000 square feet plot of land in Tai Po district, New Territories. Initial consultational studies and planning had begun in 2010, and the Remaining Group intended to seek eventual conversion of this land for future residential use.

***PRC******The Grand Riviera, Foshan***

The first phase of the development of The Grand Riviera, Foshan was launched in 2010, with over 847 flat units of sizes that ranges from 55 square metres to 350 square metres. Since launch and up to 31 December 2010, the Remaining Group had sold 342 units (being 58% of the first batch of the units which were put up for pre-sale) of phase 1 of this development.

***Budget hotel project***

The Remaining Group decided to capitalize on China's fast growing hospitality industry by venturing into a budget hotel project. With strong demand for affordable hotel accommodation and a relative lack of such hotels for many business travellers, the Company believed that this sector of the hotel industry offered strong growth prospects. As at 31 December 2010, the Remaining Group had two hotels in Shanghai, one in Beijing, and one in Guangzhou. The hotels had benefited from The Shanghai Expo and The Asian Games in Guangzhou.

**3. Finance and Treasury Operations*****Bank borrowings movement***

The Remaining Group's consolidated borrowings increased by HK\$111 million, from HK\$3,550 million as at 31 December 2010 to HK\$3,661 million as at 31 December 2011. The Remaining Group's net borrowings after deducting cash and deposits increased from HK\$2,854 million to HK\$3,092 million.

***Change of cash flow***

The Remaining Group's cash flow position has improved in 2010. The improvement was mainly due to the net cash inflow from the lease of Shanghai Chong Hing Finance Centre and Guangzhou Chong Hing Plaza.

Total rental revenue received from Shanghai Chong Hing Finance Centre and Guangzhou Chong Hing Plaza were HK\$105 million and HK\$23 million respectively. Cash proceeds from the pre-sale of The Grand Riviera, Foshan of HK\$135 million was received in 2010.

***Major capital expenditure***

The debt-to-equity ratio of the Remaining Group decreased from 44.1% as at 31 December 2009 to 43.8% as at 31 December 2010.

*Banking facilities*

The total outstanding bank borrowings of the Remaining Group as at 31 December 2010 was 76% unsecured with almost 100% being on a committed basis. As at 31 December 2010, all borrowings were on a floating rate basis. The outstanding bank borrowings were denominated in Hong Kong dollar and Renminbi as at 31 December 2010.

In managing the debt portfolio, the Remaining Group had endeavoured to maintain diversified sources to obtain the required funding. The major source of financing came from the banking sector. The Remaining Group had bilateral banking facilities with over 13 banks, most of which had established long-term relationship with the Remaining Group.

The gearing ratio, which is calculated by dividing net debt (being debt less cash and deposits) by the shareholders' funds, was approximately 43.8% as at 31 December 2010 (compared with 44.1% as at 31 December 2009).

*Cost of funding*

In 2010, the net borrowing margins in the money market increased continuously.

The Remaining Group's weighted average cost of borrowing increased slightly during the year. The management expected that the cost of funding paid for renewal of banking facilities would increase gradually as most banks would charge a higher interest rate to protect their business risk.

*Liquidity risk and cash balances*

It is the financial policy of the Group, of which the Remaining Group formed part, to maintain low leverage and high liquidity. To maintain sufficient liquidity would not only help the Remaining Group to fulfill all short term payment obligations but also to improve the Remaining Group's working capital.

Liquidity of the Remaining Group mainly came from recurring rental income of various investment properties, cash sale proceeds from various completed development projects, dividend from CHB and committed banking facilities. The Remaining Group's undrawn committed facilities stood at HK\$757 million as at 31 December 2010. Together with deposits of HK\$569 million, the Remaining Group had available funding of over HK\$1,326 million as at 31 December 2010.

The cash and cash equivalents of the Remaining Group were denominated in Hong Kong dollar, Renminbi and the US dollar as at 31 December 2010.



*Loan maturity analysis*

Liquidity risk could be reduced by extending the loan tenors. The Remaining Group's debt maturity portfolio was spread out over a medium term, with more than 38% of debts becoming due within 2 years, and 12% of debts becoming due over 2 but within 5 years respectively. Such a maturity structure allowed the Remaining Group to have more flexibility on refinancing measures.

*Risk management*

In managing interest rate and foreign exchange exposures, the Remaining Group might use certain derivative instruments such as interest rate swaps, cross currency swaps, forward rate agreements and foreign exchange contracts. It was the policy of the Group, of which the Remaining Group formed part, to allow using derivatives as hedging purposes only. The Remaining Group did not use any derivative instruments in the year ended 31 December 2010.

*Interest rate exposure*

The volatility and uncertainty of the movement of interest rate might result in a potential negative impact to the Remaining Group's financial position. The Company actively reviewed the movement of interest rate so as to minimize the financial impact.

*Foreign exchange exposure*

It was the policy of the Group, of which the Remaining Group formed part, to minimize mismatch in currency and not to speculate in currency movement. During 2010, a total amount of HK\$151 million was converted by the Remaining Group into Renminbi, mainly for paying construction costs in Foshan project.

As at 31 December 2010, other foreign exchange exposure related to some major investment in Guangzhou, Shanghai and Foshan projects which all together amounted to the equivalent of about HK\$4,267.4 million or 50.2% of the Remaining Group's assets. Such foreign exchange exposure was in Renminbi.

The Company would closely monitor the currency movement of Renminbi as mainland property development projects denominated in Renminbi placed a significant portion to the Remaining Group's total assets. However, cash revenue received from Shanghai Chong Hing Finance Centre and Guangzhou Chong Hing Plaza and cash sales proceeds from Foshan could eliminate part of the foreign currency exposure against the payment of construction costs in Foshan project.

*Pledge of assets*

As at 31 December 2010, the Remaining Group had pledged investment properties of an aggregate carrying value of approximately HK\$4,129.1 million to secure general banking facilities made available to the Remaining Group.

*Employees and remuneration policies*

As at 31 December 2010, the Remaining Group had around 300 full time employees.

In 2010, the remuneration policy of the Group, of which the Remaining Group formed part, was to ensure that the pay levels of its employees were reasonable and competitive in the market and their total rewards including basic salary and bonus system were linked with their performance. Training programmes were provided to employees.

As at 31 December 2010, no options have been granted under the share option scheme of the Group since such scheme was adopted on 25 April 2002.

**(I) UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following unaudited pro forma consolidated statements of financial position, unaudited pro forma consolidated statements of profit or loss and other comprehensive income and unaudited pro forma consolidated statements of cash flows of the Group after the disposal of LCH Estate IU Shares and the Property Transfer (hereinafter referred to as the “Remaining Group”) have been prepared to illustrate the effect of the closing of the disposal and the Property Transfer. For the purpose of the preparation of the unaudited pro forma financial information, two scenarios are presented as follows:

- (i) Scenario 1: Unaudited pro forma financial information of the Remaining Group is prepared as if (a) all of the LCH Estate IU Shares were disposed of to the Offeror, and (b) the Property Transfer had been completed on 30 June 2013 for the unaudited pro forma consolidated statement of financial position and at the commencement of the six months ended 30 June 2013 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows to illustrate the effect of the completion of (a) and (b).
- (ii) Scenario 2: Unaudited pro forma financial information of the Remaining Group is prepared as if (c) 75% of the LCH Estate IU Shares were disposed of to the Offeror, and (d) the Property Transfer had been completed on 30 June 2013 for the unaudited pro forma consolidated statement of financial position and at the commencement of the six months ended 30 June 2013 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows to illustrate the effect of the completion of (c) and (d).

**Scenario 1*****(1) Unaudited pro forma consolidated statement of financial position of the Remaining Group***

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Remaining Group as if (a) and (b) had taken place on 30 June 2013.

The preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group is based on the unaudited condensed consolidated statement of financial position as at 30 June 2013 of the Group which has been extracted from the published interim report of the Company for the six months ended 30 June 2013 and after making pro forma adjustments relating to (a) and (b) that are (i) directly attributable to the transactions; and (ii) factually supportable. The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared by the Directors for illustrative purposes only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the unaudited pro

**APPENDIX VI**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE REMAINING GROUP AFTER ACQUIRING THE PROPERTY**

forma consolidated statement of financial position of the Remaining Group does not purport to describe the financial position of the Remaining Group that would have attained had (a) and (b) been completed on 30 June 2013 or any future date.

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION**

*As at 30 June 2013*

	<b>The Group</b>	<b>Pro forma adjustments</b>					<b>The Remaining Group</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
		<i>note (a)</i>	<i>note (b)</i>	<i>note (c)</i>	<i>note (d)</i>	<i>note (e)</i>	
<b>Assets</b>							
Cash and short-term funds	12,406,144	(11,960,197)	7,765,462	304,721	(2,419,550)	986,876	7,083,456
Placements with banks and other financial institutions maturing between one to twelve months	8,424,194	(8,423,633)		(561)			—
Derivative financial instruments	107,669	(107,669)					—
Investments in securities	16,646,672	(16,215,528)					431,144
Advances and other accounts							
— financial services	43,626,138	(43,665,018)		38,880			—
Advances to an investee company	223,039						223,039
Trade and other receivables							
— non-financial services	90,810						90,810
Properties under development for sale	1,210,856						1,210,856
Properties held for sale	591,012						591,012
Inventories	17,257						17,257
Interests in joint ventures	2,719						2,719
Interests in associates	186,888	(186,888)					—
Investment properties	5,966,194	(136,162)			1,828,600		7,658,632
Property, plant and equipment	951,383	(913,939)			435,519		472,963
Prepaid lease payments	2,417	(2,417)					—
Deferred tax assets	2,155	(1,475)					680
Goodwill	50,606	(50,606)					—
<b>Total assets</b>	<b>90,506,153</b>						<b>17,782,568</b>
<b>Liabilities</b>							
Deposits and balances of banks and other financial institutions	2,080,049	(2,080,049)					—
Financial assets sold under repurchase agreements	437,349	(437,349)					—
Deposits from banking customers	68,451,755	(68,755,915)		304,160			—
Certificates of deposit	177,511	(177,511)					—
Derivative financial instruments	194,445	(194,445)					—
Trade and other payables	880,265	(707,528)		5,481			178,218
Taxation payable	80,514	(57,449)					23,065
Loan capital	1,794,150	(1,794,150)					—
Borrowings	3,665,289			33,399			3,698,688
Deferred tax liabilities	208,074	(11,832)					196,242
<b>Total liabilities</b>	<b>77,969,401</b>						<b>4,096,213</b>
<b>Equity</b>							
Share capital	378,583						378,583
Reserves	8,424,591		4,040,828		(155,431)	986,876	13,296,864
Equity attributable to:							
Owners of the Company	8,803,174						13,675,447
Non-controlling interests	3,733,578		(3,722,670)				10,908
<b>Total equity</b>	<b>12,536,752</b>						<b>13,686,355</b>
<b>Total liabilities and equity</b>	<b>90,506,153</b>						<b>17,782,568</b>

*(2) Unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows*

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Remaining Group as if (a) and (b) had taken place on 1 January 2013.

The preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group for the six months ended 30 June 2013 are based on the unaudited condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2013, which have been extracted from the published interim report of the Company for the six months ended 30 June 2013 and after making pro forma adjustments relating to (a) and (b) that are (i) directly attributable to the transactions; and (ii) factually supportable. The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared by the Directors for illustrative purposes only and are based on a number of assumptions, estimates and uncertainties. Accordingly, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group do not purport to describe the results and cash flows of the Remaining Group that would have attained had (a) and (b) been completed on 1 January 2013 or any future date.

In the opinion of the Directors, the results and cash flows of the Remaining Group were not affected by any seasonality factors, therefore, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the unaudited condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2013.

**APPENDIX VI**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE REMAINING GROUP AFTER ACQUIRING THE PROPERTY**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**
*For the six months ended 30 June 2013*

	<b>The Group</b>	<b>Pro forma adjustments</b>					<b>The Remaining Group</b>
	<i>HK\$'000</i>	<i>HK\$'000 note (f)</i>	<i>HK\$'000 note (g)</i>	<i>HK\$'000 note (h)</i>	<i>HK\$'000 note (i)</i>	<i>HK\$'000 note (j)</i>	<i>HK\$'000</i>
<b>Continuing operations</b>							
Total operating revenue	<u>1,164,125</u>						<u>199,021</u>
Interest income	761,171	(762,101)				930	—
Interest expense	(284,880)	286,363				(1,483)	—
Net interest income	476,291						—
Fee and commission income	140,228	(140,228)					—
Fee and commission expense	(34,351)	34,351					—
Net fee and commission income	105,877						—
Other operating revenue	262,726	(228,147)				164,442	199,021
Direct expenses	(52,719)					543	(52,176)
	792,175						146,845
Other income — non-financial services	5,476					48,782	54,258
Other operating expenses	(428,934)	358,253				(4,293)	(74,974)
Net impairment allowance on loans and advances — financial services	(17,592)	17,592					—
Other gains and losses	141,928	113,008		(155,431)		(207,991)	(108,486)
Finance costs — non-financial services	(49,093)					(930)	(50,023)
Share of profits of joint ventures	58						58
Share of profits of associates	8,348	(8,348)					—
Profit (loss) before tax	452,366						(32,322)
Income tax expense	(68,766)	52,950					(15,816)
Profit (loss) for the period from continuing operations	<u>383,600</u>						<u>(48,138)</u>
<b>Discontinued operation</b>							
Profit for the period from discontinued operation	—		4,077,584	986,876			5,064,460
Profit for the period	<u>383,600</u>						<u>5,016,322</u>
<b>Other comprehensive income (expense)</b>							
Items that may be subsequently reclassified to profit or loss:							
Exchange differences arising on translation	76,677	(8,268)					68,409
Fair value (losses) gains on available-for-sale investments	(46,105)	70,701					24,596
Income tax effect relating to fair value change of available-for-sale investments	11,873	(11,873)					—
Amount reclassified to the profit or loss upon disposal of available-for-sale investments	(38,130)	51					(38,079)
Income tax effect relating to disposal of available-for-sale investments	8	(8)					—
Share of other comprehensive (expense) income of associates	(230)	230					—
Other comprehensive income for the period (net of tax)	<u>4,093</u>						<u>54,926</u>
Total comprehensive income for the period	<u>387,693</u>						<u>5,071,248</u>

**APPENDIX VI**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE REMAINING GROUP AFTER ACQUIRING THE PROPERTY**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the six months ended 30 June 2013*

	Pro forma adjustments						The Remaining Group	
	The Group HK\$'000	HK\$'000 note (k)	HK\$'000 note (l)	HK\$'000 note (m)	HK\$'000 note (n)	HK\$'000 note (o)	HK\$'000 note (p)	
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(2,972,120)	2,972,682				(22,291)	(155,431) 155,431	(21,729)
INVESTING ACTIVITIES								
Purchase of held-to-maturity securities	(12,987,556)	12,987,556						—
Additional investments in available-for-sale investments	(555,474)	535,943						(19,531)
Purchase of property, plant and equipment	(18,763)	14,479		(435,519)				(439,803)
Increase in bank deposits with more than three months to maturity when raised	(102,817)					7,226		(95,591)
Repayment from an investee company	100,000							100,000
Proceeds from redemption of held-to-maturity securities	11,030,602	(11,030,602)						—
Proceeds from sale and redemption of available-for-sale investments are structured deposits	72,590	(199)				19,168		91,559
Interest received on available-for-sale investments and held-to-maturity securities	170,783	(170,783)						—
Dividend received from associates	4,200					76,425		76,425
Proceeds from disposal of investment properties	3,927	(3,927)						—
Proceeds from disposal of property, plant and equipment	199	(199)						—
Dividend received from CHB prior to completion of the disposal of CHB	—	(5,246)				5,246		—
Special dividend received from CHB in relation to the Property Transfer	—				986,876			986,876
Purchase of investment properties	—			(1,984,031)				(1,984,031)
Net proceeds from disposal of CHB	—		7,765,462					7,765,462
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,282,309)							6,481,366
FINANCING ACTIVITIES								
New borrowings raised	200,257							200,257
Repayments of borrowings	(259,300)					(1,193)		(260,493)
Dividend paid	(143,970)	152,250				(76,425)		(68,145)
Interest paid on borrowings	(54,697)					(930)		(55,627)
Interest paid on loan capital	(31,806)	31,806						—
NET CASH USED IN FINANCING ACTIVITIES	(289,516)							(184,008)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,543,945)							6,275,629
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	15,382,661	(14,868,955)				97,480		611,186
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,374)							(3,374)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,835,342							6,883,441
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by:								
Money at call and short notice with original maturity of less than three months	6,489,238	(6,489,238)						—
Cash and balances with banks and other financial institutions	4,043,359	(3,597,412)						445,947
Placements with banks and other financial institutions with original maturity of less than three months	827,166	(827,166)						—
Exchange fund bills with original maturity of less than three months	49,999	(49,999)						—
Deposits and balances of banks and other financial institutions with original maturity of less than three months	(1,574,420)	1,574,420	7,765,462	(2,419,550)	986,876	104,706		6,437,494
	9,835,342							6,883,441

**(3) Notes to the unaudited pro forma financial information of the Remaining Group**

- (a) The adjustments represent the exclusion of assets and liabilities of CHB as at 30 June 2013, assuming the disposal of all of the LCH Estate IU Shares to the Offeror had taken place on 30 June 2013. Figures are extracted from the interim report of CHB for the six months ended 30 June 2013.
- (b) The adjustments reflect the pro forma gain of HK\$4,040,828,000 arising from the disposal of all of the LCH Estate IU Shares to the Offeror as presented below and the net proceeds from the disposal, which is arrived at based on the total cash consideration of HK\$7,793,255,000 (being all of the LCH Estate IU Shares at the Offer Price of HK\$35.69 per IU Share) less estimated selling expenses (mainly legal and professional fees and stamp duty).

	<i>HK\$'000</i>
Total cash consideration	7,793,255
Net assets of CHB as at 30 June 2013	(7,447,304)
Non-controlling interests in CHB as at 30 June 2013 derecognised	3,722,670
Legal and professional fees	(20,000)
Stamp duty on transfer of all of the LCH Estate IU Shares to the Offeror	<u>(7,793)</u>
Pro forma gain on disposal recognised in profit or loss	<u><u>4,040,828</u></u>

The gain or loss on the disposal as at the completion date will be different from the pro forma amounts described above and is subject to the determination of the carrying amounts of the assets and liabilities of the CHB on the date of disposal.

- (c) The adjustments represent the reinstatement of the intercompany balances between the Remaining Group and CHB which had been eliminated in the unaudited condensed consolidated statement of financial position at 30 June 2013.
- (d) The adjustments represent the Property Transfer Consideration of HK\$2,230,000,000 and stamp duty of approximately HK\$189,550,000, assuming the Property Transfer had taken place on 30 June 2013. Upon the completion of the Property Transfer, amounts of HK\$1,984,031,000 and HK\$435,519,000 are classified as investment properties and property, plant and equipment of the Group based on allocation of the Property Transfer Consideration and stamp duty using the gross floor area for rental to CHB and owner-occupied, respectively. The Directors assume that the fair value as at 30 June 2013 of the investment properties portion of the Property was equal to the allocated Property Transfer Consideration amount of HK\$1,828,600,000 and the pro forma loss on changes of fair value on the investment properties of HK\$155,431,000 was recognised in the profit or loss for the six months ended 30



June 2013. The gain or loss on the changes of fair value on the investment properties will be different from the pro forma gain or loss described above and is subject to the determination of the fair value of the Property on the completion date.

- (e) The adjustments represent the receipt of the CHB Special Dividend of HK\$986,876,000 (being special cash dividend of HK\$4.5195 per CHB Share payable in respect of the LCH Estate IU Shares), assuming the CHB Special Dividend had taken place on 30 June 2013.
- (f) The adjustments represent the exclusion of the results and other comprehensive income and expenses of CHB for the six months ended 30 June 2013, assuming the disposal of all of the LCH Estate IU Shares to the Offeror had taken place on 1 January 2013. Figures are extracted from the interim report of CHB for the six months ended 30 June 2013.
- (g) The adjustments reflect the pro forma gain of HK\$4,077,584,000 arising from the disposal of all of the LCH Estate IU Shares to the Offeror as presented below and the net proceeds from the disposal, which is arrived at based on the total cash consideration of HK\$7,793,255,000 (being all of the LCH Estate IU Shares at the Offer Price of HK\$35.69 per IU Share) less estimated selling expenses (mainly legal and professional fees and stamp duty).

	<i>HK\$'000</i>
Total cash consideration	7,793,255
Net assets of CHB as at 1 January 2013	(7,374,080)
Non-controlling interests in CHB as at 1 January 2013 derecognised	3,686,202
Legal and professional fees	(20,000)
Stamp duty on transfer of all of the LCH Estate IU Shares to the Offeror	<u>(7,793)</u>
Pro forma gain on disposal recognised in profit or loss	<u><u>4,077,584</u></u>

The gain or loss on the disposal as at the completion date will be different from the pro forma amounts described above and is subject to the determination of the carrying amounts of the assets and liabilities of the CHB on the date of disposal.

- (h) The adjustments represent the receipt of the CHB Special Dividend of HK\$986,876,000 (being special cash dividend of HK\$4.5195 per CHB Share payable in respect of the LCH Estate IU Shares), assuming the CHB Special Dividend had taken place on 1 January 2013.
- (i) The adjustments reflect the pro forma loss on changes of fair value on the Property classified as investment properties of HK\$155,431,000 during the six months ended 30 June 2013. For the purpose of the pro forma financial information, the investment properties were assumed to be purchased on 1 January 2013 at the agreed contractual

consideration attributable to the investment properties portion of the Property of HK\$1,828,600,000 and the stamp duty relating to the purchase of the investment properties amounting to HK\$155,431,000. The Directors assume that the fair value of the investment properties portion of the Property as at 1 January 2013 and 30 June 2013 remained unchanged at HK\$1,828,600,000 and, accordingly, pro forma loss on changes of fair value on the investment properties of HK\$155,431,000 was recognised in the profit or loss for the six months ended 30 June 2013.

- (j) The adjustments represent the reinstatement of the intercompany transactions between the Remaining Group and CHB which had been eliminated in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2013.
- (k) The adjustments represent the exclusion of the cash flows of CHB for the six months ended 30 June 2013, assuming the disposal of all of the LCH Estate IU Shares to the Offeror had taken place on 1 January 2013. Figures are extracted from the interim report of CHB for the six months ended 30 June 2013.
- (l) The adjustments represent the net cash inflow amounting to approximately HK\$7,765,462,000 arising from the disposal of all of the LCH Estate IU Shares to the Offeror assuming the disposal had taken place on 1 January 2013, which is calculated as cash consideration for the disposal of HK\$7,793,255,000 less the legal and professional fees of approximately HK\$20,000,000 and the stamp duty of approximately HK\$7,793,000.
- (m) The adjustments represent cash outflow for the payments of the Property Transfer Consideration of HK\$2,230,000,000 and the stamp duty of approximately HK\$189,550,000. These payments will be accounted for as property, plant and equipment and investment properties amounting to approximately HK\$435,519,000 and HK\$1,984,031,000, respectively, assuming the Property Transfer had taken place on 1 January 2013.
- (n) The adjustments represent the receipt of the CHB Special Dividend of HK\$986,876,000 (being special cash dividend of HK\$4.5195 per CHB Share payable in respect of the LCH Estate IU Shares), assuming the CHB Special Dividend had taken place on 1 January 2013.
- (o) The adjustments represent the reinstatement of the cash flows between the Remaining Group and CHB which has been eliminated in the unaudited condensed consolidated statement of cash flows for the six months ended 30 June 2013.
- (p) The adjustments reflect the pro forma loss on changes of fair value on the Property classified as investment properties of HK\$155,431,000 during the six months ended 30 June 2013. For the purpose of the pro forma financial information, the investment properties were assumed to be purchased on 1 January 2013 at the agreed contractual consideration attributable to the investment properties portion of the Property of HK\$1,828,600,000 and the stamp duty relating to the purchase of the investment

properties amounting to HK\$155,431,000. The Directors assume that the fair value of the investment properties portion of the Property as at 1 January 2013 and 30 June 2013 remained unchanged at HK\$1,828,600,000 and, accordingly, pro forma loss on changes of fair value on the investment properties of HK\$155,431,000 was recognised in the profit or loss for the six months ended 30 June 2013.

- (q) The Directors consider no adjustment to the pro forma consolidated statement of profit or loss and other comprehensive and consolidated statement of cash flows is expected to have any material continuing effect (i.e. depreciation) on the Remaining Group.

## Scenario 2

### *(1) Unaudited pro forma consolidated statement of financial position of the Remaining Group*

The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Remaining Group as if (c) and (d) had taken place on 30 June 2013.

The preparation of the unaudited pro forma consolidated statement of financial position of the Remaining Group is based on the unaudited condensed consolidated statement of financial position as at 30 June 2013 of the Group which has been extracted from the published interim report of the Company for the six months ended 30 June 2013 and after making pro forma adjustments relating to (c) and (d) that are (i) directly attributable to the transactions; and (ii) factually supportable. The unaudited pro forma consolidated statement of financial position of the Remaining Group has been prepared by the Directors for illustrative purposes only and is based on a number of assumptions, estimates and uncertainties. Accordingly, the unaudited pro forma consolidated statement of financial position of the Remaining Group does not purport to describe the financial position of the Remaining Group that would have attained had (c) and (d) been completed on 30 June 2013 or any future date.

**APPENDIX VI**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE REMAINING GROUP AFTER ACQUIRING THE PROPERTY**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION**
*As at 30 June 2013*

	<b>The Group</b>	<b>Pro forma adjustments</b>					<b>The Remaining Group</b>
	<i>HK\$'000</i>	<i>HK\$'000 note (a)</i>	<i>HK\$'000 note (b)</i>	<i>HK\$'000 note (c)</i>	<i>HK\$'000 note (d)</i>	<i>HK\$'000 note (e)</i>	<i>HK\$'000</i>
<b>Assets</b>							
Cash and short-term funds	12,406,144	(11,960,197)	5,819,096	304,721	(2,419,550)	986,876	5,137,090
Placements with banks and other financial institutions maturing between one to twelve months	8,424,194	(8,423,633)		(561)			—
Derivative financial instruments	107,669	(107,669)					—
Investments in securities	16,646,672	(16,215,528)	1,168,224				1,599,368
Advances and other accounts							
— financial services	43,626,138	(43,665,018)		38,880			—
Advances to an investee company	223,039						223,039
Trade and other receivables							
— non-financial services	90,810						90,810
Properties under development for sale	1,210,856						1,210,856
Properties held for sale	591,012						591,012
Inventories	17,257						17,257
Interests in joint ventures	2,719						2,719
Interests in associates	186,888	(186,888)					—
Investment properties	5,966,194	(136,162)			1,828,600		7,658,632
Property, plant and equipment	951,383	(913,939)			435,519		472,963
Prepaid lease payments	2,417	(2,417)					—
Deferred tax assets	2,155	(1,475)					680
Goodwill	50,606	(50,606)					—
<b>Total assets</b>	<b>90,506,153</b>						<b>17,004,426</b>
<b>Liabilities</b>							
Deposits and balances of banks and other financial institutions	2,080,049	(2,080,049)					—
Financial assets sold under repurchase agreements	437,349	(437,349)					—
Deposits from banking customers	68,451,755	(68,755,915)		304,160			—
Certificates of deposit	177,511	(177,511)					—
Derivative financial instruments	194,445	(194,445)					—
Trade and other payables	880,265	(707,528)		5,481			178,218
Taxation payable	80,514	(57,449)					23,065
Loan capital	1,794,150	(1,794,150)					—
Borrowings	3,665,289			33,399			3,698,688
Deferred tax liabilities	208,074	(11,832)					196,242
<b>Total liabilities</b>	<b>77,969,401</b>						<b>4,096,213</b>
<b>Equity</b>							
Share capital	378,583						378,583
Reserves	8,424,591		3,262,686		(155,431)	986,876	12,518,722
Equity attributable to:							
Owners of the Company	8,803,174						12,897,305
Non-controlling interests	3,733,578		(3,722,670)				10,908
<b>Total equity</b>	<b>12,536,752</b>						<b>12,908,213</b>
<b>Total liabilities and equity</b>	<b>90,506,153</b>						<b>17,004,426</b>

*(2) Unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows*

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Remaining Group as if (c) and (d) had taken place on 1 January 2013.

The preparation of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group for the six months ended 30 June 2013 are based on the unaudited condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2013, which have been extracted from the published interim report of the Company for the six months ended 30 June 2013 and after making pro forma adjustments relating to (c) and (d) that are (i) directly attributable to the transactions; and (ii) factually supportable. The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group have been prepared by the Directors for illustrative purposes only and are based on a number of assumptions, estimates and uncertainties. Accordingly, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group do not purport to describe the results and cash flows of the Remaining Group that would have attained had (c) and (d) been completed on 1 January 2013 or any future date.

In the opinion of the Directors, the results and cash flows of the Remaining Group were not affected by any seasonality factors, therefore, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the unaudited condensed consolidated statement of profit or loss and other comprehensive income and unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2013.

**APPENDIX VI**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE REMAINING GROUP AFTER ACQUIRING THE PROPERTY**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**
*For the six months ended 30 June 2013*

	The Group	Pro forma adjustments						The Remaining Group
	HKS'000	HKS'000 note (f)	HKS'000 note (g)	HKS'000 note (h)	HKS'000 note (i)	HKS'000 note (j)	HKS'000 note (k)	HKS'000
<b>Continuing operations</b>								
Total operating revenue	<u>1,164,125</u>							<u>199,021</u>
Interest income	761,171	(762,101)					930	—
Interest expense	(284,880)	286,363					(1,483)	—
Net interest income	476,291							—
Fee and commission income	140,228	(140,228)						—
Fee and commission expense	(34,351)	34,351						—
Net fee and commission income	105,877							—
Other operating revenue	262,726	(228,147)					164,442	199,021
Direct expenses	(52,719)						543	(52,176)
	792,175							146,845
Other income — non-financial services	5,476						48,782	54,258
Other operating expenses	(428,934)	358,253					(4,293)	(74,974)
Net impairment allowance on loans and advances								
— financial services	(17,592)	17,592						—
Other gains and losses	141,928	113,008			(155,431)		(207,991)	(108,486)
Finance costs — non-financial services	(49,093)						(930)	(50,023)
Share of profits of joint ventures	58							58
Share of profits of associates	8,348	(8,348)						—
Profit (loss) before tax	452,366							(32,322)
Income tax expense	(68,766)	52,950						(15,816)
Profit (loss) for the period from continuing operations	<u>383,600</u>							<u>(48,138)</u>
<b>Discontinued operation</b>								
Profit for the period from discontinued operation	—		3,021,033	986,876				4,007,909
Profit for the period	<u>383,600</u>							<u>3,959,771</u>
<b>Other comprehensive income (expense)</b>								
Items that may be subsequently reclassified to profit or loss:								
Exchange differences arising on translation	76,677	(8,268)						68,409
Fair value (losses) gains on available-for-sale investments	(46,105)	70,701				278,409		303,005
Income tax effect relating to fair value change of available-for-sale investments	11,873	(11,873)						—
Amount reclassified to the profit or loss upon disposal of available-for-sale investments	(38,130)	51						(38,079)
Income tax effect relating to disposal of available-for-sale investments	8	(8)						—
Share of other comprehensive (expense) income of associates	(230)	230						—
Other comprehensive income for the period (net of tax)	<u>4,093</u>							<u>333,335</u>
Total comprehensive income for the period	<u>387,693</u>							<u>4,293,106</u>

**APPENDIX VI**
**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF  
THE REMAINING GROUP AFTER ACQUIRING THE PROPERTY**
**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS**
*For the six months ended 30 June 2013*

	Pro forma adjustments						The	
	The Group						Remaining Group	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		note (l)	note (m)	note (n)	note (o)	note (p)	note (q)	
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(2,972,120)	2,972,682				(22,291)	(155,431) 155,431	(21,729)
INVESTING ACTIVITIES								
Purchase of held-to-maturity securities	(12,987,556)	12,987,556						—
Additional investments in available-for-sale investments	(555,474)	535,943						(19,531)
Purchase of property, plant and equipment	(18,763)	14,479		(435,519)				(439,803)
Increase in bank deposits with more than three months to maturity when raised	(102,817)					7,226		(95,591)
Repayment from an investee company	100,000							100,000
Proceeds from redemption of held-to-maturity securities	11,030,602	(11,030,602)						—
Proceeds from sale and redemption of available-for-sale investments are structured deposits	72,590	(199)				19,168		91,559
Interest received on available-for-sale investments and held-to-maturity securities	170,783	(170,783)						—
Dividend received from associates	4,200	(4,200)				76,425		76,425
Proceeds from disposal of investment properties	3,927	(3,927)						—
Proceeds from disposal of property, plant and equipment	199	(199)						—
Dividend received from CHB prior to completion of the disposal of CHB	—	(5,246)				5,246		—
Special dividend received from CHB in relation to the Property Transfer	—				986,876			986,876
Purchase of investment properties	—			(1,984,031)				(1,984,031)
Net proceeds from disposal of CHB	—		5,819,096					5,819,096
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,282,309)							4,535,000
FINANCING ACTIVITIES								
New borrowings raised	200,257							200,257
Repayments of borrowings	(259,300)					(1,193)		(260,493)
Dividend paid	(143,970)	152,250				(76,425)		(68,145)
Interest paid on borrowings	(54,697)					(930)		(55,627)
Interest paid on loan capital	(31,806)	31,806						—
NET CASH USED IN FINANCING ACTIVITIES	(289,516)							(184,008)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,543,945)							4,329,263
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	15,382,661	(14,868,955)				97,480		611,186
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,374)							(3,374)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,835,342							4,937,075
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by:								
Money at call and short notice with original maturity of less than three months	6,489,238	(6,489,238)						—
Cash and balances with banks and other financial institutions	4,043,359	(3,597,412)						445,947
Placements with banks and other financial institutions with original maturity of less than three months	827,166	(827,166)						—
Exchange fund bills with original maturity of less than three months	49,999	(49,999)						—
Deposits and balances of banks and other financial institutions with original maturity of less than three months	(1,574,420)	1,574,420	5,819,096	(2,419,550)	986,876	104,706		4,491,128
	9,835,342							4,937,075

**(3) Notes to the unaudited pro forma financial information of the Remaining Group**

- (a) The adjustments represent the exclusion of assets and liabilities of CHB as at 30 June 2013, assuming the disposal of 75% of the LCH Estate IU Shares to the Offeror had taken place on 30 June 2013. Figures are extracted from the interim report of CHB for the six months ended 30 June 2013.
- (b) The adjustments reflect the pro forma gain of HK\$3,262,686,000 arising from the disposal of 75% of the LCH Estate IU Shares to the Offeror as presented below and the net proceeds from the disposal, which is arrived at based on the total cash consideration of HK\$5,844,941,000 (being 75% of the LCH Estate IU Shares at the Offer Price of HK\$35.69 per IU Share) less estimated selling expenses (mainly legal and professional fees and stamp duty).

	<i>HK\$'000</i>
Total cash consideration	5,844,941
Net assets of CHB as at 30 June 2013	(7,447,304)
Non-controlling interests in CHB as at 30 June 2013 derecognised	3,722,670
Legal and professional fees	(20,000)
Stamp duty on transfer of 75% of the LCH Estate IU Shares to Offeror	(5,845)
Fair value of retained interests in CHB (being 25% of the LCH Estate IU Shares, i.e. 12.55% of CHB Shares at the market bid price of HK\$21.40 per share as at 30 June 2013, and classified as available-for-sale investment upon initial recognition)	<u>1,168,224</u>
Pro forma gain on disposal recognised in profit or loss	<u><u>3,262,686</u></u>

The gain or loss on the disposal as at the completion date will be different from the pro form amounts described above and be subject to the determination of the carrying amounts of the assets and liabilities of the CHB on the date of disposal.

- (c) The adjustments represent the reinstatement of the intercompany balances between the Remaining Group and CHB which had been eliminated in the unaudited condensed consolidated statement of financial position at 30 June 2013.
- (d) The adjustments represent the Property Transfer Consideration of HK\$2,230,000,000 and stamp duty of approximately HK\$189,550,000, assuming the Property Transfer had taken place on 30 June 2013. Upon the completion of the Property Transfer, amounts of HK\$1,984,031,000 and HK\$435,519,000 are classified as investment properties and property, plant and equipment of the Group based on allocation of the Property Transfer Consideration and stamp duty using the gross floor area for rental to CHB and owner-occupied, respectively. The Directors assume that the fair value as at 30 June 2013 of the investment properties portion of the Property was equal to the allocated Property Transfer Consideration amount of HK\$1,828,600,000 and the



pro forma loss on changes of fair value on the investment properties of HK\$155,431,000 was recognised in the profit or loss for the six months ended 30 June 2013. The gain or loss on the changes of fair value on the investment properties will be different from the pro forma gain or loss described above and is subject to the determination of the fair value of the Property on the completion date.

- (e) The adjustments represent the receipt of the CHB Special Dividend of HK\$986,876,000 (being special cash dividend of HK\$4.5195 per CHB Share payable in respect of the LCH Estate IU Shares), assuming the CHB Special Dividend had taken place on 30 June 2013.
- (f) The adjustments represent the exclusion of the results and other comprehensive income and expenses of CHB for the six months ended 30 June 2013, assuming the disposal of 75% of the LCH Estate IU Shares to the Offeror had taken place on 1 January 2013. Figures are extracted from the interim report of CHB for the six months ended 30 June 2013.
- (g) The adjustments reflect the pro forma gain of HK\$3,021,033,000 arising from the disposal of 75% of the LCH Estate IU Shares to the Offeror as presented below and the net proceeds from the disposal, which is arrived at based on the total cash consideration of HK\$5,844,941,000 (being 75% of the LCH Estate IU Shares at the Offer Price of HK\$35.69 per IU Share) less estimated selling expenses (mainly legal and professional fees and stamp duty).

	<i>HK\$'000</i>
Total cash consideration	5,844,941
Net assets of CHB as at 1 January 2013	(7,374,080)
Non-controlling interests in CHB as at 1 January 2013 derecognised	3,686,202
Legal and professional fees	(20,000)
Stamp duty on transfer of 75% of LCH Estate IU Shares to the Offeror	(5,845)
Fair value of retained interests in CHB (being 25% of the LCH Estate IU Shares, i.e. 12.55% of CHB Shares at the market bid price of HK\$16.30 per share as at 1 January 2013, and classified as available-for-sale investment upon initial recognition)	<u>889,815</u>
Pro forma gain on disposal recognised in profit or loss	<u><u>3,021,033</u></u>

The gain or loss on the disposal as at the completion date will be different from the pro forma amounts described above and is subject to the determination of the carrying amounts of the assets and liabilities of the CHB on the date of disposal.

- (h) The adjustments represent the receipt of the CHB Special Dividend of HK\$986,876,000 (being special cash dividend of HK\$4.5195 per CHB Share payable in respect of the LCH Estate IU Shares), assuming the CHB Special Dividend had taken place on 1 January 2013.
- (i) The adjustments reflect the pro forma loss on changes of fair value on the Property classified as investment properties of HK\$155,431,000 during the six months ended 30 June 2013. For the purpose of the pro forma financial information, the investment properties were assumed to be purchased on 1 January 2013 at the agreed contractual consideration attributable to the investment properties portion of the Property of HK\$1,828,600,000 and the stamp duty relating to the purchase of the investment properties amounting to HK\$155,431,000. The Directors assume that the fair value of the investment properties portion of the Property as at 1 January 2013 and 30 June 2013 remained unchanged at HK\$1,828,600,000 and, accordingly, pro forma loss on changes of fair value on the investment properties of HK\$155,431,000 was recognised in the profit or loss for the six months ended 30 June 2013.
- (j) The adjustments reflect the pro forma fair value gains on retained interest in CHB (being 25% of the LCH Estate IU Shares, i.e. 12.55% of CHB Shares classified as available-for-sale investment measured at fair value through other comprehensive income upon initial recognition) which represent the difference between the quoted market bid prices of HK\$21.40 per share and HK\$16.30 per share as at 30 June 2013 and 1 January 2013, respectively.
- (k) The adjustments represent the reinstatement of the intercompany transactions between the Remaining Group and CHB which had been eliminated in the unaudited condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2013.
- (l) The adjustments represent the exclusion of the cash flows of CHB for the six months ended 30 June 2013, assuming the disposal of 75% of the LCH Estate IU Shares to the Offeror had taken place on 1 January 2013. Figures are extracted from the interim report of CHB for the six months ended 30 June 2013.
- (m) The adjustments represent the net cash inflow amounting to approximately HK\$5,819,096,000 arising from the disposal of 75% of the LCH Estate IU Shares to the Offeror assuming the disposal had taken place on 1 January 2013, which is calculated as cash consideration for the disposal of HK\$5,844,941,000 less the legal and professional fees of approximately HK\$20,000,000 and the stamp duty of approximately HK\$5,845,000.
- (n) The adjustments represent cash outflow for the payments of the Property Transfer Consideration of HK\$2,230,000,000 and the stamp duty of approximately HK\$189,550,000. These payments will be accounted for as property, plant and equipment and investment properties amounting to approximately HK\$435,519,000 and HK\$1,984,031,000, respectively, assuming the Property Transfer had taken place on 1 January 2013.

- (o) The adjustments represent the receipt of the CHB Special Dividend of HK\$986,876,000 (being special cash dividend of HK\$4.5195 per CHB Share payable in respect of the LCH Estate IU Shares), assuming the CHB Special Dividend had taken place on 1 January 2013.
- (p) The adjustments represent the reinstatement of the cash flows between the Remaining Group and CHB which has been eliminated in the unaudited condensed consolidated statement of cash flows for the six months ended 30 June 2013.
- (q) The adjustments reflect the pro forma loss on changes of fair value on the Property classified as investment properties of HK\$155,431,000 during the six months ended 30 June 2013. For the purpose of the pro forma financial information, the investment properties were assumed to be purchased on 1 January 2013 at the agreed contractual consideration attributable to the investment properties portion of the Property of HK\$1,828,600,000 and the stamp duty relating to the purchase of the investment properties amounting to HK\$155,431,000. The Directors assume that the fair value of the investment properties portion of the Property as at 1 January 2013 and 30 June 2013 remained unchanged at HK\$1,828,600,000 and, accordingly, pro forma loss on changes of fair value on the investment properties of HK\$155,431,000 was recognised in the profit or loss for the six months ended 30 June 2013.
- (r) The Directors consider no adjustment to the pro forma consolidated statement of profit or loss and other comprehensive and consolidated statement of cash flows is expected to have any material continuing effect (i.e. depreciation) on the Remaining Group.

**(II) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE  
REMAINING GROUP**

*The following is the text of a report received by the Company from Deloitte, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.*

**TO THE DIRECTORS OF LIU CHONG HING INVESTMENT LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Liu Chong Hing Investment Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statements of financial position as at 30 June 2013, the pro forma consolidated statements of profit or loss and other comprehensive income for the six months ended 30 June 2013, the pro forma consolidated statements of cash flows for the six months ended 30 June 2013 and related notes as set out on pages VI-1 to VI-17 of the circular issued by the Company dated 4 December 2013 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages VI-1 to VI-17 of the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed disposal of LCH Estate IU Shares, and the Property Transfer on the Group’s financial position as at 30 June 2013 and the Group’s financial performance and cash flows for the six months ended 30 June 2013 as if the transaction had taken place at 30 June 2013 and 1 January 2013 respectively. As part of this process, information about the Group’s financial position, financial performance and cash flows has been extracted by the Directors from the Group’s condensed consolidated financial statements for the six months ended 30 June 2013, on which a review report has been published.

**Directors’ Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”).

**Reporting Accountant’s Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“**HKSAE**”) 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plan and performs procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2013 or 1 January 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
4 December 2013

## 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.

## 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 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, 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 and Managing Director</i>	Long	795,600	—	171,840,189 <i>(Notes 1 &amp; 2)</i>	172,635,789	45.60%
Mr. Liu Lit Chi	Long	141,668	—	210,963,253 <i>(Notes 1 &amp; 3)</i>	211,104,921	55.76%
Mr. Winston Kam Fai Liu <i>Deputy Managing Director</i>	Long	3,270,400	—	—	3,270,400	0.86%
Dr. Liu Lit Chung	Long	—	—	165,840,189 <i>(Note 1)</i>	165,840,189	43.81%
Mr. Andrew Liu	Long	600,000	—	—	600,000	0.16%

*Notes:*

1. 165,840,189 Shares are beneficially held by L. Holdings, of which Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung are amongst its shareholders. The above numbers of shares are duplicated under the corporate interests for each of these Directors.
2. Eternal Wealth Limited, of which Dr. Liu Lit Mo and his associates are shareholders, beneficially holds 6,000,000 Shares, and thus is included in the corporate interests of Dr. Liu Lit Mo.
3. Alba, of which Mr. Liu Lit Chi and his associates are shareholders, beneficially holds 45,123,064 Shares, and thus is included in the corporate interests of Mr. Liu Lit Chi.

**(B) Subsidiaries***Chong Hing Bank 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	1,002,450	—	258,359,628 <i>(Notes 1)</i>	259,362,078	59.62%
	Short	—	—	218,359,628 <i>(Note 3)</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 3 &amp; 4)</i>	220,622,839	50.72%

*Notes:*

1. The corporate interests in 258,359,628 CHB Shares are attributed as follows:
  - i. 218,359,628 CHB Shares held by the Company's wholly-owned subsidiary, LCH Estate, in which each of Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung is deemed under the SFO to be interested through L. Holdings, a private company holding approximately 43.81% of the Company's issued and fully-paid share capital; and
  - ii. 40,000,000 CHB 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 CHB Shares and BTMU is required to offer to sell all such CHB Shares to LCH Estate in certain circumstances. By virtue of the interests of Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung in LCH Estate through L. Holdings, each of them is deemed under the SFO to be interested in such CHB Shares.
2. 2,263,211 CHB 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 CHB Shares.



3. 218,359,628 CHB 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.
4. 220,622,839 CHB 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 CHB 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 CHB 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:*

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

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 Division 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. Mr. Liu Lit Chi, being an executive Director, is a director of L. Holdings and a director of Alba. Dr. Liu Lit Chung, being a non-executive Director, is a director of L. Holdings. Mr. Christopher Kwun Shing Liu, being an executive Director, is the alternate director to Dr. Liu Lit Chung of L. Holdings.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Company, the following persons (other than the Directors or 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:

<b>Name of substantial shareholder</b>	<b>Long/short position</b>	<b>Capacity</b>	<b>No. of ordinary Shares held</b>	<b>Total interests</b>
L. Holdings	Long	Beneficial owner	165,840,189 <i>(Note 1)</i>	43.81%
Alba	Long	Beneficial owner	45,123,064 <i>(Note 2)</i>	11.92%

*Notes:*

1. L. Holdings, a private company incorporated in Hong Kong, are owned by, amongst others, Dr. Liu Lit Mo, Mr. Liu Lit Chi and Dr. Liu Lit Chung. Such corporate interests are also disclosed in section 2(A) above.
2. Alba, a private company incorporated in Hong Kong, is owned by Mr. Liu Lit Chi and his associates. Such corporate interests are also disclosed in section 2(A) above.

### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a 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 is significant in relation to the business of the Group.

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. MATERIAL CONTRACTS**

No material contracts (not being contracts entered into in the ordinary course of business) had been entered into by any member of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date.

## **8. 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.

## **9. INDEPENDENT PROPERTY VALUATION**

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

## **10. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## **11. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group for each of the three years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013 was disclosed in “Annual Report 2010” (pages 64 to 128) published by the Company on 22 March 2011, “Annual Report 2011” (pages 72 to 144) published by the Company on 27 March 2012, “Annual Report 2012” (pages 108 to 296) published by the Company on 28 March 2013 and “Interim Report 2013” (pages 4 to 47) published by the Company on 22 August 2013, respectively, all of which can be found on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.lchi.com.hk](http://www.lchi.com.hk)).

## 12. INDEBTEDNESS

At the close of business on 31 October 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following indebtedness:

### **The Group (excluding CHB and its subsidiaries)**

- i. outstanding bank and other borrowings with carrying value of approximately HK\$3,869 million (of which approximately HK\$3,113 million were unsecured, and approximately HK\$756 million were secured by fixed charges on the Group's assets, comprising certain investment properties and short-term bank deposits).

### **CHB and its subsidiaries**

- i. outstanding certificates of deposit with carrying value of approximately HK\$563 million issued;
- ii. outstanding amount with carrying value of approximately HK\$1,807 million of an original US\$225 million subordinated note issued; and
- iii. financial assets sold under repurchase agreements with carrying value amounting to approximately HK\$1,109 million.

In addition, at the close of business on 31 October 2013, the CHB Group had deposits from customers, money market deposits, term loans from other banks, direct credit substitutes, trade-related contingencies, undrawn formal standby facilities, credit lines and other commitments that are arising from the normal course of banking business.

Save as aforesaid, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 October 2013, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

## 13. WORKING CAPITAL

The majority of the business of CHB Group is the provision of financial services through CHB, which is a licensed bank. The finances of licensed banks have their distinctive features and the concept of working capital, which is applicable to a manufacturing or trading business, is not applicable to licensed banks. The working capital level is therefore not a relevant indicator of CHB Group's financial position. Instead, certain other financial indicators such as the capital adequacy ratio and the liquidity ratio are considered more relevant to a licensed bank in measuring its financial soundness.

Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the strict compliance with Rule 14.66(10) of the Listing Rules in respect of a statement of working capital sufficiency to the effect that the statement of working capital sufficiency to be disclosed in this circular is in respect of the LCHI Group excluding the CHB Group.

The Directors are of the opinion that, after taking into account the financial resources available, including the available credit facilities, our internally generated funds and the cash flow impact resulting from the disposal of LCH Estate IU Shares and the Property Transfer, the Group (excluding CHB Group) has sufficient working capital to satisfy its requirements for at least the next twelve months following the date of this circular in the absence of unforeseen circumstances.

#### 14. CAPITAL ADEQUACY RATIOS AND LIQUIDITY RATIOS OF CHB

As an authorized institution supervised by the HKMA, CHB is subject to requirements by the HKMA to maintain minimum capital adequacy ratios and a minimum liquidity ratio.

##### (A) Capital adequacy ratios

The capital adequacy ratio of a bank is calculated as a ratio of the bank's capital base to its risk-weighted assets. In 2010, 2011 and 2012, all authorized institutions were required to maintain at all times a capital adequacy ratio of not less than 8 per cent. For the implementation of the Basel III capital requirements, Banking (Capital) Rules were amended to revise the minimum capital ratio requirements and the definition of regulatory capital. Under the revised Banking (Capital) Rules which became effective from 1 January 2013, all authorized institutions are required to maintain at all times in 2013 a Common Equity Tier 1 capital ratio of not less than 3.5 per cent., a Tier 1 capital ratio of not less than 4.5 per cent. and a total capital ratio of not less than 8 per cent. The HKMA may vary any capital requirement rule applicable to a particular authorized institution.

The capital adequacy ratios of CHB as at 31 December 2010, 2011 and 2012 and 30 June 2013 are set out below:

	<b>As at 31 December</b>			
	<b>2012</b>	<b>2011</b>	<b>2010</b>	
	%	%	%	
Capital adequacy ratio ( <i>Note 1</i> )	<u>15.34</u>	<u>15.44</u>	<u>17.91</u>	
				<b>As at</b>
				<b>30 June</b>
				<b>2013</b>
				%
Total capital ratio ( <i>Note 2</i> )				14.63
Tier 1 capital ratio ( <i>Note 2</i> )				10.79
Common Equity Tier 1 capital ratio ( <i>Note 2</i> )				<u>10.79</u>

*Notes:*

1. The capital adequacy ratios as at 31 December 2010, 2011 and 2012 were compiled in accordance with the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong) for the implementation of the “Basel II” capital accord.
2. Capital adequacy ratios as at 30 June 2013 were compiled in accordance with the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong) for the implementation of the “Basel III” capital accord.

Common Equity Tier 1 capital ratio of an authorized institution is calculated with reference to its Common Equity Tier 1 capital (as defined in the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong)). Common Equity Tier 1 capital of an authorized institution consists of its ordinary shares, its share premium resulting from the issue of ordinary shares, its retained earnings and other disclosed reserves and minority interests arising from the ordinary shares issued by its consolidated bank subsidiaries and held by third parties.

Tier 1 capital ratio of an authorized institution is calculated with reference to the aggregate of its Common Equity Tier 1 capital and Additional Tier 1 capital (each as defined in the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong)). Additional Tier 1 capital of an authorized institution consists of its capital instruments, its share premium resulting from the issue of its capital instruments and capital instruments issued by its consolidated bank subsidiaries and held by third parties.

Total capital ratio of an authorized institution is calculated with reference to its Total capital (as defined in the Banking (Capital) Rules (Chapter 155L of the Laws of Hong Kong)).

**(B) Liquidity ratio**

The liquidity ratio of a bank is calculated as the ratio of its liquefiable assets to its qualifying liabilities. All authorized institutions are required to maintain a liquidity ratio of not less than 25 per cent. in each calendar month, subject to the HKMA’s power to vary the minimum liquidity ratio for particular authorized institution.

The average liquidity ratio of CHB for each year of 2010, 2011 and 2012 and the six months ended 30 June 2013 are set out below:

	<b>For the six months ended 30 June 2013</b>	<b>For the year ended 31 December</b>		
	2013	2012	2011	2010
	%	%	%	%
Average liquidity ratio ( <i>Note 1</i> )	<u>42.28</u>	<u>44.91</u>	<u>42.41</u>	<u>45.20</u>

*Note:*

1. The average liquidity ratio is calculated as the ratio, expressed as a percentage, of the average of each calendar month's average ratio, as specified in the Fourth Schedule of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

## 15. FINANCIAL AND TRADING PROSPECTS

The Directors believe that the disposal of CHB Shares and the Property Agreement are strategic to the long-term growth of the Remaining Group. In particular, the Property, being a prime Central office building, will be an important addition to the Remaining Group's investment property portfolio and will generate a steady and sustainable income flow for the Remaining Group. Upon completion of the Partial Offer, CHB will cease to be a subsidiary of the Company. The Remaining Group will continue to develop its other core business activities, including property investment and development. The Company will continue to look for sound investment opportunities, acting with prudence and diversity.

## 16. QUALIFICATIONS AND CONSENT OF EXPERTS

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

<b>Name</b>	<b>Qualification</b>
Vigers	Independent qualified property valuers
Deloitte	Certified Public Accountants

Each of Vigers and Deloitte 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 Deloitte 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 and had no 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.

## 17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's office on the 25th 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 memorandum and articles of association of the Company;

- (b) the annual reports of the Company for each of the three years ended 31 December 2010, 2011 and 2012;
- (c) the interim report of the Company for the six months ended 30 June 2013;
- (d) the review report by Deloitte in relation to the financial information of the CHB Group set out in Appendix III to this circular;
- (e) the accountants' report by Deloitte on unaudited pro forma financial information of the Group after acquisition of the Property as set out in Appendix VI to this circular;
- (f) the valuation report on the Property prepared by Vigers as set out in Appendix II to this circular;
- (g) the opinion letter prepared by Vigers regarding the monthly rental for certain parts of the Property dated 4 December 2013;
- (h) the written consents referred to in the section headed "Qualifications and consent of experts" in this Appendix;
- (i) the circular issued by the Company on the very substantial acquisition in relation to the increase of shareholding in CHB dated 18 April 2013; and
- (j) this circular.

## 18. MISCELLANEOUS

- (a) The registered office of the Company is at 25/F, 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. Lee Wai Hung. He is also an executive Director of the Company. He holds a Bachelor of Law degree, a Master of Business Administration degree and Postgraduate Diploma in Construction and Real Estate. He is also a fellow of Hong Kong Institute of Certified Public Accountants (Practising) and a fellow member of the Association of Chartered Certified Accountants.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.



## NOTICE OF EXTRAORDINARY GENERAL MEETING



# LIU CHONG HING INVESTMENT LIMITED

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 194)**

## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Liu Chong Hing Investment Limited (the “Company”) will be held at 11:30 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 resolutions of the Company:

### ORDINARY RESOLUTIONS

1. “THAT the entry into by the Company and LCH Estate of the LCHI Irrevocable Undertaking dated 25 October 2013 (a copy of which has been produced to the meeting and initialled by the chairman of the meeting for the purposes 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).”
2. “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 purposes 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

**Dr. Liu Lit Mo**

*Chairman and Managing Director*

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 (Chairman and Managing Director), Mr. Liu Lit Chi, Mr. Winston Kam Fai Liu (Deputy Managing Director), Mr. Christopher Kwun Shing Liu (also alternate director to Dr. Liu Lit Chung) and Mr. Lee Wai Hung; Non-

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

executive Directors: Dr. Liu Lit Chung, Mr. Andrew Liu, Mr. Wilfred Chun Ning Liu and Mr. Christopher Eng Tjoan Kho; and Independent Non-executive Directors: Dr. Moses Mo Chi Cheng, Mr. Tong Tsin Ka, Mr. Arthur Kam Yuen Au and Dr. John Hung Ming Ma.