



創興銀行有限公司
Chong Hing Bank Limited

(a Hong Kong-incorporated limited liability company)

(Stock Code: 1111)

Executive Directors:

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

(Chairman)

Mr. Liu Lit Chi

(Deputy Chairman and Managing Director)

Mr. Lau Wai Man

(Chief Executive Officer)

Mr. Don Tit Shing Liu

(Deputy Chief Executive Officer)

Mr. Wilfred Chun Ning Liu

Registered Office:

Ground Floor

Chong Hing Bank Centre

24 Des Voeux Road Central

Hong Kong

Non-executive Directors:

Mr. He Jiale

Mr. Hidekazu Horikoshi

Mr. Christopher Kwun Shing Liu

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

Mr. Meng Qinghui

Independent Non-executive Directors:

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

Mr. Timothy George Freshwater

Mr. Wanchai Chiranakhorn

Mr. Cheng Yuk Wo

Mr. Andrew Chiu Cheung Ma

15 January 2014

To the CHB Shareholders

Dear Sir or Madam,

**VOLUNTARY CASH PARTIAL OFFER BY NOMURA
ON BEHALF OF YUEXIU FINANCIAL HOLDINGS LIMITED TO ACQUIRE
A MAXIMUM OF 326,250,000 CHB SHARES IN THE CAPITAL OF
CHONG HING BANK LIMITED (REPRESENTING 75% OF ITS ISSUED SHARE
CAPITAL) FROM QUALIFYING CHB SHAREHOLDERS**

On 25 October 2013, Yuexiu, the Offeror, CHB and LCHI jointly announced that Nomura would, on behalf of the Offeror, make a pre-conditional voluntary cash partial offer to acquire a maximum

of 326,250,000 CHB Shares (representing 75 per cent. of the CHB Shares in issue as at the date of the Announcement) from the Qualifying CHB Shareholders at the Offer Price of HK\$35.69 per CHB Share. In addition, following the Partial Offer becoming unconditional, each CHB Shareholder registered as such on the Record Date will receive a special interim dividend of HK\$4.5195 in cash for every CHB Share which the CHB Shareholder then holds (if the CHB Special Dividend becomes unconditional), whether or not that CHB Shareholder accepts the Partial Offer and, if he does, whether or not all of his CHB Shares are taken up by the Offeror under the Partial Offer.

The making of the Partial Offer was subject to the satisfaction of the Pre-Condition, being the granting of approval by the HKMA for each of 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), Yuexiu and the Offeror to become a majority shareholder controller of CHB under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). On 9 January 2014, Yuexiu, the Offeror and CHB jointly announced that the Pre-Condition has been satisfied.

The purpose of the Composite Document (of which this letter forms part) is to provide you with, among other things, (i) further information relating to each of the CHB Group, Yuexiu, the Offeror and the Partial Offer, (ii) the letter from Nomura containing details of the Partial Offer; (iii) the letter from the CHB Code Independent Board Committee containing its recommendation and advice to the Independent CHB Shareholders in respect of the Partial Offer and acceptance of the Partial Offer; and (iii) the letter from Somerley, the CHB Independent Financial Adviser, containing its advice to the CHB Code Independent Board Committee on whether the terms of the Partial Offer are fair and reasonable so far as the Independent CHB Shareholders are concerned and on acceptance in respect of the Partial Offer.

Unless the context otherwise requires, terms defined in the Composite Document shall have the same meanings when used in this letter.

1. CHB CODE INDEPENDENT BOARD COMMITTEE AND CHB INDEPENDENT FINANCIAL ADVISER

In accordance with Rules 2.1 and 2.8 of the Takeovers Code, the CHB Code Independent Board Committee comprising all the non-executive CHB Directors (other than Mr. Christopher Kwun Shing Liu) and all the independent non-executive CHB Directors was established to advise the Independent CHB Shareholders as to whether the terms of the Partial Offer are fair and reasonable and as to acceptance of the Partial Offer. Mr. Christopher Kwun Shing Liu, being an executive director of LCHI, is considered to be materially interested in the Property Agreement and is therefore excluded from the CHB Code Independent Board Committee.

Somerley has, with the approval of the CHB Code Independent Board Committee, been appointed as the CHB Independent Financial Adviser to advise the CHB Code Independent Board Committee in connection with the Partial Offer.

Somerley has advised the CHB Code Independent Board Committee that it considers the terms of the Partial Offer (including the Offer Price) to be fair and reasonable so far as the Independent CHB

* for identification purpose only

Shareholders are concerned, and accordingly, it recommends the CHB Code Independent Board Committee to advise the Independent CHB Shareholders to accept the Partial Offer. The CHB Code Independent Board Committee, having been so advised, considers the terms of the Partial Offer (including the Offer Price) to be fair and reasonable so far as the Independent CHB Shareholders are concerned, and accordingly, recommends the Independent CHB Shareholders to accept the Partial Offer.

The full texts of the letter from the CHB Code Independent Board Committee addressed to the Independent CHB Shareholders and the letter from Somerley addressed to the CHB Code Independent Board Committee are set out in the Composite Document. You are advised to read both letters and the additional information contained in the appendices to the Composite Document carefully before taking any action in respect of the Partial Offer.

2. THE PARTIAL OFFER

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

For each CHB Share HK\$35.69 in cash

2.1 Conditions of the Partial Offer

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

- (a) valid acceptances of the Partial Offer being received in respect of a minimum of 217,500,001 CHB Shares (representing 50 per cent. of the CHB Shares in issue as at the date of the Announcement plus one CHB Share) by 4:00 p.m. on or prior to the First Closing Date (or such later time(s) and/or date(s) as the Offeror may decide and the Executive may approve), provided that the Offeror shall purchase as many CHB Shares as are tendered by Qualifying CHB Shareholders up to a maximum of 326,250,000 CHB Shares (representing 75 per cent. of the CHB Shares in issue as at the date of the Announcement);
- (b) consent from the Executive in respect of the Partial Offer pursuant to Rule 28.1 of the Code;
- (c) consent from the Executive in respect of the Property Agreement as a special deal in relation to the Partial Offer;
- (d) approval by the LCHI Shareholders of the IU Commitment and the Property Agreement in accordance with the Listing Rules; and
- (e) approval by the Independent CHB Shareholders of the Property Agreement in accordance with the Listing Rules and the Code.

None of the Conditions may be waived by the Offeror.

As at the Latest Practicable Date, Conditions (b), (c), (d) and (e) have been fulfilled, leaving only the acceptance condition under paragraph 2.1(a) above to be fulfilled before the Partial Offer can be declared or will become unconditional in all respects.

LCHI and LCH Estate have irrevocably undertaken, jointly and severally, to Yuexiu that the Partial Offer will be accepted by LCH Estate in respect of all of the LCH Estate IU Shares not later than three business days (as defined in the Code) after the despatch date of the Composite Document. If the Partial Offer becomes unconditional in all respects, LCH Estate will, pursuant to the LCHI Irrevocable Undertaking, sell at least 163,769,721 CHB Shares (being 75 per cent. of the LCH Estate IU Shares) and up to 218,359,628 CHB Shares (being all of the LCH Estate IU Shares). The percentage of the share capital of CHB made up by all of the LCH Estate IU Shares is 50.2 per cent. Therefore, once LCH Estate tenders its acceptance of the Partial Offer in respect of all of the LCH Estate IU Shares under the Irrevocable Undertaking, the acceptance condition set out at paragraph 2.1(a) above will have been met. The Partial Offer is therefore expected to become unconditional prior to the 7th day after the date of the Composite Document.

Pursuant to Rule 15.3 of the Code, where a conditional offer becomes or is declared unconditional (whether as to acceptances or in all respects), it should remain open for acceptances for not less than 14 days thereafter. Accordingly, if the Partial Offer is declared unconditional in all respects on or before the 7th day after the date of the Composite Document, then the Final Closing Date would be on (but no earlier than) the First Closing Date, being 21 days after the despatch date of the Composite Document.

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

Under Rule 28.5 of the Code, a partial offer which could result in the offeror holding 30 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 granted, 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 approval was given in the Announcement); and (ii) LCH Estate confirms that it is not acting in concert with the Offeror (which confirmation was given in the Announcement). Accordingly, the Partial Offer is not conditional upon satisfaction of the requirement under Rule 28.5 of the Code.

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

2.2 Comparisons of value

	Share price of CHB HK\$	Premium/ (Discount) of the Offer Price to the share price %
Closing price as quoted on the Stock Exchange on 6 August 2013, being one day immediately prior to the announcement of 7 August 2013 issued jointly by LCHI and CHB in response to media reports regarding a possible disposal of interests in CHB	22.45	59.0
Average closing price as quoted on the Stock Exchange for the 120 trading days immediately prior to and including the Last Trading Date	24.84	43.7
Average closing price as quoted on the Stock Exchange for the 90 trading days immediately prior to and including the Last Trading Date	26.56	34.4
Average closing price as quoted on the Stock Exchange for the 60 trading days immediately prior to and including the Last Trading Date	29.46	21.2
Average closing price as quoted on the Stock Exchange for the 30 trading days immediately prior to and including the Last Trading Date	32.90	8.5
Average closing price as quoted on the Stock Exchange for the 10 trading days immediately prior to and including the Last Trading Date	34.47	3.5
Average closing price as quoted on the Stock Exchange for the 5 trading days immediately prior to and including the Last Trading Date	35.34	1.0
Closing price as quoted on the Stock Exchange on the Last Trading Date	37.40	(4.6)
Closing price as quoted on the Stock Exchange on the Latest Practicable Date	35.40	0.8

2.3 Highest and lowest closing prices of CHB Shares

During the Relevant Period, the highest closing price of CHB Shares as quoted on the Stock Exchange was HK\$37.40 per CHB Share on 23 October 2013, and the lowest closing price of CHB Shares as quoted on the Stock Exchange was HK\$15.58 per CHB Share on 4 March 2013.

2.4 Total consideration under the Partial Offer

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

3. CHB SPECIAL DIVIDEND

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

For each CHB Share held HK\$4.5195 in cash

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

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

4. ENTITLEMENTS OF CHB SHAREHOLDERS

Accordingly, upon the Partial Offer becoming unconditional, each CHB Shareholder:

- (a) will receive a payment of HK\$35.69 in cash for every CHB Share in respect of which that CHB Shareholder validly accepts the Partial Offer and which is taken up by the Offeror under the Partial Offer (after deducting the seller's ad valorem stamp duty arising therefrom);

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

5. SPECIAL DEAL

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

Details of the Property Agreement were set out in the "Letter from the Board" in the CHB Circular.

As the Property Agreement was entered into during the Offer Period of the Partial Offer and as the benefit of the Property Agreement was not capable of being extended to all CHB Shareholders, the Property Agreement constitutes a special deal in relation to the Partial Offer under Note 4 to Rule 25 of the Code.

Consent has been granted by the Executive to proceed with the Property Agreement. As at the date of the Composite Document, the condition attaching to such consent had been fulfilled.

On 20 December 2013, the Property Agreement was approved by the LCHI Shareholders and the Independent CHB Shareholders in accordance with the Listing Rules and the Code at the LCHI EGM and the CHB EGM.

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

6. INFORMATION OF 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.

Your attention is drawn to the financial information of the CHB Group, the valuation of the Property and the general information of the CHB Group set out in Appendices II, IV and V to the Composite Document, respectively.

7. INFORMATION ON YUEXIU AND THE OFFEROR

Please refer to the letter from Nomura contained in the Composite Document for information relating to Yuexiu and the Offeror.

8. INTENTION OF THE OFFEROR WITH REGARD TO CHB

Your attention is drawn to the letter from Nomura contained in the Composite Document which sets out the intentions of the Offeror regarding the business of CHB. The CHB Board notes and welcomes in particular (i) the Offeror's intention and commitment to the stability of CHB's business and operations after closing of the Partial Offer; (ii) the commitment made by the Offeror in respect of the employees of the CHB Group for a period of 24 months from the Final Closing Date; (iii) the commitment made by the Offeror in relation to share issues over the period of 12 months from the Final Closing Date; and (iv) the Offeror's intention relating to the maintenance of the listing status of CHB following closing of the Partial Offer, all as disclosed in the letter from Nomura in the Composite Document.

9. MAINTAINING THE LISTING STATUS OF CHB

According to the letter from Nomura contained in the Composite Document, the Offeror intends to maintain the listing status of CHB following closing of the Partial Offer. Upon closing of the Partial Offer, CHB may continue to have one or more substantial shareholders (in addition to the Offeror), depending on the extent to which the Partial Offer is accepted by the CHB Shareholders. Since substantial shareholders of CHB are connected persons of CHB under the Listing Rules, their CHB Shares will not be regarded as part of the public float for the purposes of CHB's compliance with the public float requirement under Rule 8.08 of the Listing Rules. We note that, if, after LCH Estate ceases to be a substantial shareholder and a connected person of CHB after closing of the Partial Offer pursuant to the LCHI Irrevocable Undertaking (as disclosed in the paragraph headed "Non-compete and other undertakings" under the section headed "LCHI Irrevocable Undertaking" in the letter from Nomura contained in the Composite Document), the number of CHB Shares held by the public after closing of the Partial Offer still represents less than 25 per cent. of the CHB Shares, the Offeror will, after closing of the Partial Offer, take appropriate steps to ensure that not less than 25 per cent. 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. According to the letter from Nomura contained in the Composite Document, based on such understanding, the directors of the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the CHB Shares. We understand that the Offeror does not intend to avail itself of any powers of compulsory acquisition.

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

- a false market exists or may exist in the trading of the CHB Shares; or

— that there are insufficient CHB Shares in public hands to maintain an orderly market;

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

10. FURTHER INFORMATION ON THE PARTIAL OFFER

Please refer to the letter from Nomura contained in the Composite Document, Appendix I to the Composite Document and the Form of Acceptance for further information in relation to the Partial Offer, including its extension to overseas CHB Shareholders and information on taxation, acceptance and settlement procedures.

11. RECOMMENDATION

Your attention is drawn to (i) the letter from the CHB Code Independent Board Committee set out in the Composite Document, which contains its advice and recommendations to the Independent CHB Shareholders in relation to the Partial Offer; and (ii) the letter from Somerley set out in the Composite Document, which contains its advice to the CHB Code Independent Board Committee in relation to the Partial Offer and the principal factors considered by it before arriving at its recommendation. You are also advised to read the remainder of the Composite Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Partial Offer.

Yours faithfully,
By Order of the CHB Board



Dr. Liu Lit Mo
Chairman