
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

OVERVIEW

Our predecessor, China Everbright Bank, was a financial enterprise established in 1992 with the approval of the State Council and the PBOC. At that time, we were wholly owned by China Everbright (Group). Our Bank was converted into a joint stock limited liability company in 1997, with 131 Promoters including China Everbright (Group), China National Tobacco Corporation Yunnan Company and Asian Development Bank. Huijin became our controlling Shareholder in November 2007 and held at that time approximately 70.88% of our Shares. As of the Latest Practicable Date, Huijin owned approximately 51.16% of our total issued Shares (including the Shares held by it directly and indirectly). Immediately following the Global Offering, assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option for the Global Offering is exercised, Huijin will own, directly and indirectly, approximately 44.68% of our total issued Shares. As a result of the announcement of the Proposed Restructuring, both Huijin and China Everbright (Group) are deemed as our controlling shareholders. See “Proposed Restructuring” below. As of the Latest Practicable Date, China Everbright (Group) owned approximately 5.18% of our total issued Shares. Immediately following the Global Offering, assuming that neither the Offer Size Adjustment Option nor the Over-allotment Option for the Global Offering is exercised, China Everbright (Group) will own approximately 4.52% of our total issued Shares.

Relationship with Huijin

Huijin, our controlling Shareholder, is a wholly state-owned limited liability company ultimately owned by the PRC central government and mandated by the state to invest in and hold shares in major PRC financial institutions. Huijin exercises the rights and assumes the obligations of an investor in several financial institutions including the Industrial and Commercial Bank of China Limited, China Construction Bank Corporation, Bank of China Limited, Agricultural Bank of China Limited and us on behalf of the PRC government, and implements PRC governmental policies with respect to reforms of state-owned financial institutions. Huijin does not engage in any commercial activity.

Huijin has undertaken to us that:

- (1) so long as Huijin holds any of our Shares and is deemed to be a controlling Shareholder or an actual controller in accordance with the laws or listing rules of China or of the place where our Shares are listed (if our Shares are listed), it will not engage or participate in any competing commercial banking businesses in China or abroad. If Huijin engages or participates in any competing commercial banking businesses or any businesses or activities which evolve into competing commercial banking businesses in China or abroad, Huijin will immediately cease to participate in, manage or engage in such competing commercial banking businesses;
- (2) if Huijin obtains any governmental approval, authorization or license to operate commercial banking businesses directly, or obtains other opportunities to operate commercial banking businesses, Huijin will immediately relinquish such approval, authorization or license, and will not operate any commercial banking businesses;
- (3) notwithstanding the above undertakings (1) and (2), Huijin, as a state-owned investment vehicle established by the PRC government to invest in the financial/banking industry, may through its investments in other companies (including but not limited to its wholly owned entities, joint ventures, contractual joint ventures, or through its direct or indirect ownership of shares or other interests in such companies or enterprises) operate or participate in any competing commercial banking businesses in China or abroad; and

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- (4) Huijin, as a state-owned investment vehicle established by the PRC government to invest in the financial/banking industry, shall treat commercial banks it invests in on an equal footing, and will not confer upon or provide to any commercial banks any governmental approval, authorization or license to operate commercial banking businesses or business opportunities it obtains or may obtain, nor will it take advantage of its status as a holder of our Shares or the information obtained by virtue of such status to make decisions or judgments against us but in favor of other commercial banks it invests in, and will avoid such objective results arising thereunder. When exercising its Shareholder's rights in relation to the matters concerning our Bank, Huijin shall endeavor to maximize the interests of our Bank to a reasonable extent.

Relationship with China Everbright (Group)

China Everbright (Group) is a wholly state-owned company established on November 12, 1990 whose registered capital was wholly contributed by the MOF. China Everbright (Group) is a financial holding group which mainly engages in investment and management of banks, securities companies, insurance companies and other financial enterprises.

Apart from its interests in our Bank, China Everbright (Group) and its subsidiaries are not engaged in any business that competes or is likely to compete, either directly or indirectly, with our core business. As at the Latest Practicable Date, China Everbright (Group) does not have any interests (within the meaning of Rule 8.10 of the Listing Rules) in other commercial banks in the PRC apart from us.

See "Our History, Restructuring and Operational Reform – Our Shareholding and Group Structure – Relationship with China Everbright (Group) and China Everbright Limited" for details.

PROPOSED RESTRUCTURING

Along with Huijin and China Everbright (Group), we have been advised by relevant PRC authorities that the State Council has agreed in principle that appropriate adjustments should be made in order to facilitate the reorganization of China Everbright (Group), whereby certain equity interests in our Bank will be injected into China Everbright (Group) by Huijin in order to consolidate our accounts with China Everbright (Group). The Proposed Restructuring involves changes of shareholdings among our existing shareholders but does not affect the daily operation of our Bank. We made an announcement relating to the Proposed Restructuring on the Shanghai Stock Exchange on January 10, 2013. As a result of the announcement of the Proposed Restructuring, both Huijin and China Everbright (Group) are deemed as our controlling shareholders and are subject to the lock-up requirements under Rule 10.07 of the Listing Rules. For details of the lock-up undertakings of Huijin and China Everbright (Group), see "Underwriting – Underwriting Arrangements and Expenses – Undertakings".

As of the Latest Practicable Date, we have not been notified of any further information on the Proposed Restructuring. We will announce the latest progress of the Proposed Restructuring as soon as practicable upon obtaining further information from the PRC authorities. For details of the waiver application in connection with the Proposed Restructuring, see "Waivers from Strict Compliance with the Listing Rules – Waiver in Relation to Non-Disposal of Shares by Huijin."

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, after the listing of our H Shares, the transactions we have entered into with our connected persons (as defined in the Listing Rules) will constitute connected transactions.

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Exempt Continuing Connected Transactions

Set forth below are details of various connected transactions between us and certain Directors, Supervisors, substantial Shareholders (including China Everbright (Group)) and/or their respective associates. These transactions are entered into on normal commercial terms in the ordinary and usual course of our business, and are exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Commercial Banking Services and Products Provided by us in the Ordinary and Usual Course of Business – Deposit

We provide commercial banking services and products to customers in the ordinary and usual course of our business. Such services and products include taking deposits. Customers who place deposits with us include substantial shareholders, directors, supervisors, presidents and chief executive officers of us and our subsidiaries, and former directors of us and our subsidiaries who were directors within 12 months preceding the Listing Date and their respective associates. Each of the above persons is a connected person under Chapter 14A of the Listing Rules. We expect that our connected persons will continue to place deposits with us following the listing of our H Shares, which will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The deposits placed by our connected persons are on normal commercial terms with reference to prevailing market rates.

The provision of commercial banking services and products by us to our connected persons in the ordinary and usual course of our business and on normal commercial terms that are comparable with or no more favorable than those offered to independent third parties (including other comparable employees of ours who are not connected persons) will be exempt continuing connected transactions under Rule 14A.65(4) of the Listing Rules, namely financial assistance provided by a connected person in the form of deposits placed with a listed issuer for the benefit of the listed issuer on normal commercial terms (or better to the listed issuer) where no security over the assets of the listed issuer is granted in respect of the financial assistance, and thus will be exempt from the reporting, announcement and independent shareholders' approval requirements contained in Rules 14A.35 and 14A.45 to 14A.48 of the Listing Rules.

Financial Assurances Provided by us in the Ordinary and Usual Course of Business – Loans and Credit Extension


We extend loans and credit (including but not limited to long-term loans, short-term loans, consumer loans, credit cards, mortgages, guarantees, guarantees of third-party loans, comfort letters, bill discounting facilities, subscription of corporate bonds and credit extended through financial assets held under resale agreements), in the ordinary and usual course of our business and on normal commercial terms with reference to prevailing market rates. Third parties who utilize the above products and services may include substantial shareholders, directors, supervisors, presidents and chief executive officers of us and our subsidiaries, and former directors of us and our subsidiaries who were directors within 12 months preceding the Listing Date and their respective associates. Each of the above is a connected person under Chapter 14A of the Listing Rules. We expect that we will continue to provide the above financial assurances to these connected persons following the listing of our H Shares which will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The above financial assurances provided by us to our connected persons are on normal commercial terms with reference to prevailing market rates.

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The provision of the above financial assistances by us to our connected persons in the ordinary and usual course of our business and on normal commercial terms that are comparable with or no more favorable than those offered to independent third parties (including other comparable employees of ours who are not connected persons) will be exempt continuing connected transactions under Rule 14A.65(1) of the Listing Rules, namely financial assistance provided by a listed issuer in its ordinary and usual course of business for the benefit of a connected person on normal commercial terms, and thus will be exempt from all reporting, announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.45 to 14A.48 of the Listing Rules.

Trademark Licensing Agreement

On March 20, 2008, we entered into a trademark license agreement with China Everbright (Group), pursuant to which we were granted a license to use its “光大”, “Everbright” and “” trademarks for nil consideration (the “Trademark Licensing Agreement”). On December 29, 2009, China Everbright (Group) undertook to us that it would, in accordance with relevant provisions in the Trademark Law of the People's Republic of China (中華人民共和國商標法), perform the renewal procedures with the trademark registration authorities in PRC in relation to the above three trademarks in due course before their expiration. After the renewal, on the condition of the full performance by our Bank of the said trademark license agreement entered into between the parties, China Everbright (Group) will continuously license our Bank to use these trademarks at nil consideration with no time limit being specified.

The agreement was signed as part of the continuing efforts of China Everbright (Group), a major shareholder of us, to support our development.

As no consideration is payable under the agreement, by virtue of Rule 14A.33(3)(a) of the Listing Rules, the transactions under the Trademark Licensing Agreement are exempted from the reporting, announcement and the independent shareholders approval requirements under Chapter 14A of the Listing Rules.