

To the Shareholders and Preference Shareholders

4 April 2011

Dear Sir or Madam,

**PROPOSAL TO PRIVATISE
THE ORDINARY SHARE CAPITAL OF FUBON BANK (HONG KONG) LIMITED
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 166 OF
THE COMPANIES ORDINANCE**

**VOLUNTARY CONDITIONAL CASH OFFER BY
UBS AG, HONG KONG BRANCH ON BEHALF OF FUBON FINANCIAL HOLDING CO., LTD.
TO ACQUIRE ALL THE ISSUED PREFERENCE SHARES OF FUBON BANK (HONG KONG) LIMITED
(OTHER THAN THOSE ALREADY OWNED BY FUBON FINANCIAL HOLDING CO., LTD.
OR PARTIES ACTING IN CONCERT WITH IT)**

PROPOSED WITHDRAWAL OF THE LISTING OF FUBON BANK (HONG KONG) LIMITED

INTRODUCTION

It was jointly announced by the Offeror and the Company on 19 January 2011 that on 10 January 2011 (i) the Offeror had requested the Board to put forward to the Scheme Shareholders the Scheme Proposal for the privatisation of the ordinary share capital of the Company which, if approved and implemented, would result in the withdrawal of listing of the Shares on the Hong Kong Stock Exchange; and (ii) the Offeror will make, through the Financial Adviser, a voluntary conditional cash offer to acquire all the issued Preference Shares (other than those already owned by the Offeror or parties acting in concert with it).

Following a meeting of the Board on 12 January 2011, the Board agreed to put forward the Scheme Proposal for consideration by the Scheme Shareholders.

On 15 March 2011, it was further announced by the Offeror and the Company jointly that the Offeror had requested the Board to put forward to the Scheme Shareholders a revised Scheme Proposal whereby the Cancellation Consideration would be increased from HK\$5.00 to HK\$5.20 but with all other terms remaining unchanged and terms of the Preference Share Offer remaining unchanged. The Offeror also confirmed in such announcement that there would be no further revision to the Cancellation Consideration.

Following a meeting held on 15 March 2011, the Board agreed to put forward the revised Scheme Proposal for consideration by the Scheme Shareholders.

As at the Latest Practicable Date, the Offeror owned 879,120,000 Shares, representing 75% of the issued Shares and 1,133,662,994 Preference Shares, representing approximately

96.72% of the issued Preference Shares. The proposed privatisation of the ordinary share capital of the Company will be implemented by way of a scheme of arrangement under Section 166 of the Companies Ordinance. Upon the Scheme of Arrangement becoming effective, the Scheme Shares will be cancelled and the New Shares will be issued as fully paid to the Offeror, and the listing of the Shares will be withdrawn from the Hong Kong Stock Exchange.

The Preference Share Offer will be subject to and conditional upon the Scheme of Arrangement becoming effective. By accepting the Preference Share Offer, the Preference Shareholders will sell their Preference Shares to the Offeror free from all liens, claims, encumbrances and together with all rights attaching to the Preference Shares as at the Closing Date, including the right to receive all dividends accrued but unpaid and distribution identified as payable to the Preference Shareholders on the Closing Date.

Rule 2.8 of the Takeovers Code prescribes that the members of an independent committee of a company's board of directors formed for the purpose of considering an offer as in the present case must comprise all of the company's non-executive directors who have no direct or indirect interest in the offer. Accordingly, the Independent Board Committee comprising Mr. Robert James Kenrick, Mr. Moses Tsang and Mr. Hung Shih, being independent non-executive Directors, has been formed to advise the Minority Shareholders in connection with the Scheme Proposal and the Preference Shareholders in connection with the Preference Share Offer. As for the other non-executive Directors, (1) Mr. Ming-Hsing (Richard) Tsai is a director and Vice Chairman of the Offeror; (2) Mr. Ming-Chung (Daniel) Tsai is a director and Chairman of the Offeror; (3) Mr. Victor Kung is a director and president of the Offeror; (4) Mr. David Chang Kuo-Chun and Mr. Michael Chang Ming-Yuen are senior consultants of the Offeror. In compliance with Rule 2.8 of the Takeovers Code, they have not been included in the Independent Board Committee so as to avoid any or any possible conflict of interests.

The Company, with the approval of the Independent Board Committee, has appointed CLSA Equity Capital Markets Limited as the Independent Financial Adviser to advise the Independent Board Committee in connection with the Scheme Proposal, the Scheme of Arrangement and the Preference Share Offer.

The Offeror has appointed UBS as its financial adviser in connection with the Scheme Proposal and the Preference Share Offer. The purpose of this document is to provide you with further information regarding the Scheme Proposal, the Scheme of Arrangement and the Preference Share Offer and to give you notices of the Court Meeting and the Extraordinary General Meeting and the Form of Acceptance. Your attention is also drawn to (i) the letter from UBS set out on pages 26 to 35 of this document; (ii) the letter from the Independent Board Committee set out on pages 36 to 37 of this document; (iii) the letter from the Independent Financial Adviser to the Independent Board Committee set out on pages 38 to 66 of this document; (iv) the Explanatory Statement set out on pages 67 to 83 of this document; and (v) the terms of the Scheme of Arrangement set out on pages S-1 to S-7 of this document.

THE SCHEME PROPOSAL AND THE PREFERENCE SHARE OFFER

Subject to the conditions described in the section entitled “Conditions of the Scheme Proposal and the Preference Share Offer” in the Explanatory Statement on pages 70 to 72 of this document being fulfilled or waived (as applicable), the proposed privatisation of the ordinary share capital of the Company will be implemented by way of the Scheme of Arrangement, further details of which are set out in the section headed “Scheme of Arrangement” below.

The Preference Share Offer will only be subject to and conditional upon the Scheme of Arrangement becoming effective. By accepting the Preference Share Offer, the Preference Shareholders will sell their Preference Shares to the Offeror free from all liens, claims, encumbrances and together with all rights attaching to the Preference Shares as at the Closing Date, including the right to receive all dividends accrued but unpaid and distributions identified as payable to the Preference Shareholders on the Closing Date. Further details of the Preference Share Offer are set out in the section headed “Preference Share Offer” below.

SCHEME OF ARRANGEMENT

Subject to the Scheme of Arrangement becoming effective, the Scheme Shareholders will receive from the Offeror as Cancellation Consideration:

HK\$5.20 in cash for every Scheme Share cancelled.

The Offeror has advised that the Cancellation Consideration will not be revised in the course of the Scheme of Arrangement and the Offeror does not reserve the right to do so.

Under the Scheme of Arrangement, the ordinary share capital of the Company will, on the Effective Date, be reduced by cancelling and extinguishing the Scheme Shares and, immediately following such reduction, the ordinary share capital of the Company will be restored to its former amount by the allotment and issuance at par to the Offeror credited as fully paid of the same number of New Shares as is equal to the Scheme Shares cancelled. The reserve created in the Company’s books of account as a result of the capital reduction will be applied in paying up in full at par the New Shares so issued to the Offeror.

Upon the Scheme of Arrangement becoming effective, all of the Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title as from the Effective Date, which is expected to be 8 June 2011.

Conditional upon the approval of the Scheme of Arrangement at the Court Meeting and the passing of the special resolution to give effect to the Scheme of Arrangement at the Extraordinary General Meeting, the listing of the Shares on the Hong Kong Stock Exchange will be withdrawn in accordance with Rule 6.15 of the Hong Kong Listing Rules as soon as practicable. If the Scheme of Arrangement becomes effective on 8 June 2011, the listing of the

Shares on the Hong Kong Stock Exchange is expected to be withdrawn at 9:00 a.m. on the same date.

The 2016 Notes and the 2020 Notes issued by Fubon Bank under the Euro Medium Term Note Programme, which are not convertible into Shares or Preference Shares, will remain listed on the Hong Kong Stock Exchange.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$1,406,592,000 divided into 1,406,592,000 Shares of par value HK\$1.00 each and US\$119,994,019.20 divided into 1,172,160,000 Preference Shares of US\$0.10237 each, and the issued share capital of the Company is HK\$1,172,160,000 divided into 1,172,160,000 Shares and US\$119,994,019.20 divided into 1,172,160,000 Preference Shares.

The table below sets out the shareholding structure of the Company as at the Latest Practicable Date and immediately upon the Scheme of Arrangement becoming effective and closing of the Preference Share Offer (assuming that there are no other changes to the Company's shareholding structure on or prior to the Effective Date and all Preference Shareholders accept the Preference Share Offer):

Shareholders	As at the Latest Practicable Date				Upon the Scheme of Arrangement becoming effective and closing of the Preference Share Offer ^(Note)			
	Number of Shares	%	Number of Preference Shares	%	Number of Shares	%	Number of Preference Shares	%
The Offeror	879,120,000	75	1,133,662,994	96.72	1,172,160,000	100	1,172,160,000	100
Other concert parties	0	0	0	0	0	0	0	0
The Offeror and parties acting in concert with it	879,120,000	75	1,133,662,994	96.72	1,172,160,000	100	1,172,160,000	100
Minority Shareholders!								
Preference Shareholders	293,040,000	25	38,497,006	3.28	0	0	0	0
Total issued Shares/Preference Shares	<u>1,172,160,000</u>	<u>100</u>	<u>1,172,160,000</u>	<u>100</u>	<u>1,172,160,000</u>	<u>100</u>	<u>1,172,160,000</u>	<u>100</u>

Note: assuming that there are no other changes to the Company's shareholding structure on or prior to the Effective Date and all Preference Shareholders accept the Preference Share Offer

As at the Latest Practicable Date, the Offeror is interested in 879,120,000 Shares,

representing 75% of the issued Shares. The Shares beneficially owned by the Offeror will not form part of the Scheme Shares and as such, will not be voted at the Court Meeting. However, the Offeror has indicated that, if the Scheme of Arrangement is approved at the Court Meeting, the Offeror will vote in favour of the special resolution to be proposed at the Extraordinary General Meeting to approve and give effect to the Scheme of Arrangement, including the approval of the reduction of the authorised and issued share capital of the Company by cancelling and extinguishing the Scheme Shares and of the issue to the Offeror of such number of New Shares as is equal to the number of the Scheme Shares cancelled.

As at the Latest Practicable Date, the Offeror is interested in 1,133,662,994 Preference Shares, representing approximately 96.72% of the issued Preference Shares. The remaining 38,497,006 Preference Shares in issue, representing approximately 3.28% of the issued Preference Shares, are held by the Preference Shareholders, being parties other than the Offeror or parties acting in concert with it (save for those members of the group of companies of UBS that are conducting exempt principal trader activities or exempt fund manager activities). UBS (other than those members of the group of companies of UBS that are conducting exempt principal trader activities or exempt fund manager activities) does not hold any Shares or Preference Shares as at the Latest Practicable Date. As at the Latest Practicable Date none of the Directors, whether as directors or shareholders or creditors of the Company or otherwise, has any material interest in the Scheme of Arrangement.

As at the Latest Practicable Date, the Company does not have any outstanding options, warrants, derivatives or securities convertible into Shares or Preference Shares in issue.

Save as disclosed above, the Offeror and any parties acting in concert with it (save for those members of the group of companies of UBS that are conducting exempt principal trader activities or exempt fund manager activities) do not hold any other Shares or Preference Shares or any options, warrants, derivatives or securities convertible into Shares or Preference Shares as at the Latest Practicable Date.

As at the Latest Practicable Date, the Minority Shareholders are interested in an aggregate of 293,040,000 Shares, representing 25% of the issued Shares, and they will be entitled to vote at the Court Meeting. As at the Latest Practicable Date, none of the Offeror or parties acting in concert with it has received any irrevocable voting commitment from the Minority Shareholders in respect of the Court Meeting.

As at the Latest Practicable Date, there are no arrangements (whether by way of option, indemnity or otherwise) in relation to Shares or Preference Shares or other securities of the Offeror which might be material to the Scheme Proposal, the Scheme of Arrangement or the Preference Share Offer.

As at the Latest Practicable Date, the Offeror and any person acting in concert with it (other than those members of the group of companies of UBS that are conducting exempt

principal trader activities or exempt fund manager activities) have not borrowed or lent any relevant securities of the Company (as defined in Note 4 to Rule 22 of the Takeovers Code).

COMPARISON OF VALUE

The Cancellation Consideration of HK\$5.20 in cash for every Scheme Share cancelled under the Scheme of Arrangement represents:

- (i) a premium of approximately 37.6% over the closing price of HK\$3.78 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 43.3% over the average closing price of approximately HK\$3.63 per Share as quoted on the Hong Kong Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 40.9% over the average closing price of approximately HK\$3.69 per Share as quoted on the Hong Kong Stock Exchange for 60 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 39.4% over the average closing price of approximately HK\$3.73 per Share as quoted on the Hong Kong Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 46.2% over the audited consolidated net asset value (after deducting the issued share capital of Preference Shares as at 31 December 2010 of approximately HK\$925.4 million) of approximately HK\$3.56 per Share as at 31 December 2010; and
- (vi) a premium of approximately 1.0% over the closing price of HK\$5.15 per Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date.

The Preference Shares are not listed on any stock exchange and therefore there is no market value for the Preference Shares to compare against the offer price under the Preference Share Offer.

PREFERENCE SHARE OFFER

The Preference Shares are not listed on any stock exchange. The Preference Share Offer is only subject to and conditional upon the Scheme of Arrangement becoming effective. The Preference Share Offer is not conditional upon the Offeror having received any pre-determined level of acceptances in respect of the Preference Share Offer.

By accepting the Preference Share Offer, the Preference Shareholders will sell their

Preference Shares to the Offeror free from all liens, claims, encumbrances and together with all rights attaching to the Preference Shares as at the Closing date, including the right to receive all dividends accrued but unpaid and distributions identified as payable to the Preference Shareholders on the Closing Date.

The Preference Share Offer will be made on the basis of a cash price per Preference Share in US dollars which equals the sum of (i) US\$0.10237, being the par value of each Preference Share, (ii) an amount representing the accrued but unpaid dividend calculated at the fixed rate of 9 per cent. per annum as provided for in the Articles for the period from 15 December 2010 to and including the Effective Date, and (iii) an amount representing the future dividend calculated at the fixed rate of 9 per cent. per annum as provided for in the Articles for the period from the Effective Date to and including 24 December 2013, such future dividend to be discounted by applying a discount rate of 6 per cent. per annum, with the discount calculated with reference to the dividend payment schedule provided for in the Articles.

For the avoidance of doubt, the accrued but unpaid dividend for the period from 15 December 2010 to and including the Effective Date equals the dividend that Preference Shareholders are entitled to pursuant to the Articles for such dividend less any dividend paid or payable by Fubon Bank to the Preference Shareholders at any time during such period or in respect of such period, including the cumulative preferential dividend at the fixed rate of 9 per cent. per annum for the period from 15 December 2010 to 14 June 2011 as provided for in the Articles that will be paid to the holders of Preference Shares on 15 June 2011.

Assuming that (i) the Scheme of Arrangement becomes effective on 8 June 2011; and (ii) save for the cumulative preferential dividend at the fixed rate of 9 per cent. per annum for the period from 15 December 2010 to 14 June 2011 as provided for in the Articles that will be paid to the holders of Preference Shares on or before 15 June 2011 and in any event before the Closing Date, no other dividend has been or will be paid to the Preference Shareholders from 16 December 2010 to the Closing Date, the offer price per Preference Share will be US\$0.123793, representing a premium of approximately 20.9% over the par value of US\$0.10237 each of the Preference Shares. Further announcements will be made if there is any change to the offer price under the Preference Share Offer.

CONFIRMATION OF FINANCIAL RESOURCES

The total consideration payable under the Scheme Proposal will be approximately HK\$1,523.8 million and assuming that (i) the Scheme of Arrangement becomes effective on 8 June 2011; (ii) all Preference Shareholders accept the Preference Share Offer; and (iii) save for the cumulative preferential dividend at the fixed rate of 9 per cent. per annum for the period from 15 December 2010 to 14 June 2011 as provided for in the Articles that will be paid to the Preference Shareholders on or before 15 June 2011 and in any event before the Closing Date, no other dividend has been or will be paid to the Preference Shareholders from

16 December 2010 to the Closing Date, the total cash consideration payable under the Preference Share Offer will be approximately US\$4.8 million. The consideration payable under the Scheme Proposal and the Preference Share Offer will be funded from the internal resources of and existing credit facility available to the Offeror. The principal lender for such credit facility is First Commercial Bank. The Offeror confirms that (i) payment of the interest and the principal of such credit facility and (ii) security for any liability (contingent or otherwise) under such credit facility would not be dependent to any significant extent on the business of the Fubon Bank Group.

As at the Latest Practicable Date, UBS AG, Hong Kong Branch, the financial advisor to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to implement the Scheme Proposal and the Preference Share Offer in accordance with their terms.

CONDITIONS OF THE SCHEME PROPOSAL AND THE PREFERENCE SHARE OFFER

The Scheme Proposal is subject to the satisfaction or waiver, as applicable, of the conditions as set out in the section headed “Conditions of the Scheme Proposal and the Preference Share Offer” in the Explanatory Statement appearing on pages 70 to 72 of this document.

All of the conditions will have to be fulfilled or waived, as applicable, on or before 30 September 2011 (or such later date as the Offeror and the Company may agree or (to the extent applicable) as the High Court may direct and as may be permitted under the Takeovers Code), otherwise, and subject to the requirements of the Takeovers Code, the Scheme of Arrangement will lapse. If the Scheme of Arrangement is withdrawn, not approved or lapses, the listing of the Shares on the Hong Kong Stock Exchange will not be withdrawn. If approved, the Scheme of Arrangement will be binding on all Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting.

The Preference Shares are not listed on any stock exchange. The Preference Share Offer is only subject to and conditional upon the Scheme of Arrangement becoming effective. The Preference Share Offer is not conditional upon the Offeror having received any pre-determined level of acceptances in respect of the Preference Share Offer.

Shareholders, Preference Shareholders and potential investors should be aware that the implementation of the Scheme Proposal and the Preference Share Offer is subject to the conditions as set out in the section headed “Conditions of the Scheme Proposal and the Preference Share Offer” in the Explanatory Statement appearing on pages 70 to 72 of this document being fulfilled or waived, as applicable, and thus the Scheme Proposal may or may not become effective and the Preference Share Offer may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the Shares and the Preference Shares. Persons who are in any doubt as to the action they should take

should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant, or other professional adviser.

REASONS FOR AND BENEFITS OF THE SCHEME PROPOSAL AND THE PREFERENCE SHARE OFFER AND EFFECTS OF THE SCHEME PROPOSAL AND THE PREFERENCE SHARE OFFER

You are urged to read carefully the sections headed “Reasons for and benefits of the Scheme Proposal” and “Effect of the Scheme Proposal” in the Explanatory Statement appearing on respectively page 73 and pages 74 to 76 of this document and the section headed “Reasons for and Benefits of the Preference Share Offer” in the letter from UBS appearing on pages 28 to 29 of this document.

COURT MEETING AND EXTRAORDINARY GENERAL MEETING

For the purpose of exercising your votes at the Court Meeting and the Extraordinary General Meeting, you are requested to read carefully the sections headed “Court Meeting and Extraordinary General Meeting” in the Explanatory Statement and “Actions to be taken” appearing on pages 80 to 81 and pages 81 to 83, respectively, of this document. The notices of the Court Meeting and of the Extraordinary General Meeting are to be found on pages CM-1 to CM-3 and EGM-1 to EGM-3 respectively of this document.

FUTURE PLANS FOR FUBON BANK

Your attention is drawn to the section headed “Future Plans for Fubon Bank” in the Explanatory Statement appearing on page 74 of this document.

INFORMATION ON FUBON BANK

Your attention is drawn to Appendix I “Financial Information relating to Fubon Bank” appearing on pages I-1 to I-127 of this document and the section headed “Information on the Company” in the Explanatory Statement appearing on pages 76 to 77 of this document.

Your attention is also drawn to the section headed “Information on Fubon Financial” in the Explanatory Statement appearing on page 77 of this document.

OVERSEAS SCHEME SHAREHOLDERS AND OVERSEAS PREFERENCE SHAREHOLDERS

Overseas Scheme Shareholders are requested to read specifically the section headed “Overseas Scheme Shareholders” in the Explanatory Statement appearing on pages 79 to 80 of this document. Overseas Preference Shareholders are requested to read specifically the section headed “Overseas Preference Shareholders” in the letter from UBS appearing on page

30 of this document.

ACTIONS TO BE TAKEN

The actions which Minority Shareholders are required to take in relation to the Scheme Proposal and the actions which Preference Shareholders are required to take in relation to the Preference Share Offer are set out under the section headed “Actions to be taken by Shareholders” and “Actions to be taken by Preference Shareholders”, respectively, appearing on pages 1 to 5 of this document.

RECOMMENDATION

Your attention is drawn to the recommendation of the Independent Financial Adviser to the Independent Board Committee, in respect of the Scheme Proposal and the Preference Share Offer as set out in the letter from the Independent Financial Adviser appearing on pages 38 to 66 of this document. Your attention is also drawn to the recommendation of the Independent Board Committee in respect of the Scheme Proposal and the Preference Share Offer as set out in the letter from the Independent Board Committee on pages 36 to 37 of this document.

SHARE CERTIFICATES, DEALINGS, LISTING, REGISTRATION AND PAYMENT

Your attention is drawn to the sections headed “Withdrawal of the listing of the Shares and the Share Certificates” and “Entitlements to and payment of Cancellation Consideration” in the Explanatory Statement set out on page 78 and pages 78 to 79, respectively, and the section headed “Acceptance and Settlement” in the letter from UBS set out on pages 31 to 32 of this document.

TAXATION, EFFECTS AND LIABILITIES

It is emphasised that none of the Offeror, the Company, UBS, the Independent Financial Adviser nor any of their respective directors, officers, employees, agents or affiliates or any persons involved in the Scheme Proposal, the Scheme of Arrangement or the Preference Share Offer accepts responsibility for any tax or other effects on, or liabilities of, any person or persons as a result of the implementation or otherwise of the Scheme Proposal, the Scheme of Arrangement and the Preference Share Offer. Accordingly, Scheme Shareholders are urged to read the section headed “Taxation and Independent Advice” in the Explanatory Statement set out on page 80 of this document and Preference Shareholders are urged to read the section headed “Taxation” in the letter from UBS set out on pages 32 to 33 of this document. If you are in any doubt as to any aspect of this document or as to the action to be taken, you should consult an appropriately qualified professional adviser.

FURTHER INFORMATION

The letter from UBS which contains further details on the Preference Share Offer is set out on pages [26] to [35] of this document. The Explanatory Statement, together with the appendices thereto, are set out on pages [67] to [II-12] of this document. In addition, the terms of the Scheme of Arrangement are set out on pages S-1 to S-7, of this document. You are advised to read such information carefully before taking any action in respect of the Scheme Proposal or the Preference Share Offer.

In addition, a pink form of proxy for use by the Scheme Shareholders for the Court Meeting, a yellow form of proxy for use by all Shareholders for the Extraordinary General Meeting and a Form of Acceptance in respect of the Preference Share Offer are enclosed with copies of this document sent to the Registered Owners of the Shares and the Preference Shareholders.

Fubon Financial will publish an announcement in Taiwan on the despatch date of this document in relation to the subject matter of this document. Such announcement can be viewed at the website of Fubon Financial www.fubon.com/eng/index_IR.htm and by selecting "Event and News", "IR Calendar" and "2011".

Yours faithfully,
For and on behalf of the Board
FUBON BANK (HONG KONG) LIMITED



Pei-Hwa Thomas Liang
Managing Director