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**(1) PROPOSED RIGHTS ISSUE OF 217,500,000 RIGHTS SHARES
AT THE SUBSCRIPTION PRICE OF
HK\$17.05 PER RIGHTS SHARE
ON THE BASIS OF ONE RIGHTS SHARE FOR
EVERY TWO SHARES HELD ON THE RECORD DATE
(2) CLOSURE OF REGISTER OF MEMBERS
AND
(3) RESUMPTION OF TRADING**

Joint Global Coordinators and Joint Underwriters of the Rights Issue
(in alphabetical order)



PROPOSED RIGHTS ISSUE

Chong Hing Bank Limited (the “**Bank**”) proposes to raise approximately HK\$3,708 million, before expenses, by way of the Rights Issue of 217,500,000 Rights Shares at the Subscription Price of HK\$17.05 per Rights Share.

The Bank will provisionally allot one Rights Share in nil-paid form for every two Shares held by each Qualifying Shareholder on the Record Date, which is currently expected to be Monday, 31 August 2015. Fractional entitlements will not be allotted or issued but will be aggregated and sold for the benefit of the Bank.

The Rights Issue is only available to the Qualifying Shareholders and will not be extended to the Non-Qualifying Shareholders.

The Bank intends to use the net proceeds of the Rights Issue as follows:

- to expand the Bank’s business;
- to position the Bank for sustainable growth and to satisfy its capital adequacy requirements; and
- to reposition the Bank’s branch network to focus on locations of strategic value and to upgrade the core banking information technology systems to enhance the Bank’s infrastructure to support future growth.

Pursuant to the Irrevocable Undertaking, each of Yuexiu Financial Holdings (which is interested as at the date of this announcement in 326,250,000 Shares representing 75.0% of the total issued share capital of the Bank) and Yue Xiu Enterprises (which holds 100% of Yuexiu Financial Holdings) has irrevocably undertaken to the Bank and the Joint Underwriters that it will (in the case of Yuexiu Financial Holdings) subscribe or (in the case of Yue Xiu Enterprises) procure Yuexiu Financial Holdings to subscribe for the 163,125,000 Rights Shares to be provisionally allotted to Yuexiu Financial Holdings, subject to the terms and conditions of the Rights Issue.

The Joint Underwriters have conditionally agreed to underwrite in full all the Underwritten Rights Shares, being all the Rights Shares other than the 163,125,000 Rights Shares to be subscribed for by Yuexiu Financial Holdings pursuant to the Irrevocable Undertaking, subject to the terms and conditions of the Underwriting Agreement.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Underwriting Agreement contains provisions granting the Joint Underwriters a right to terminate their obligations on the occurrence of certain events. Please refer to the section headed “*Termination of the Underwriting Agreement*” in this announcement for further details. The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If the Underwriting Agreement does not become unconditional or is terminated in accordance with its terms, the Rights Issue will not proceed and the Bank will make an announcement at the relevant time.

Any Shareholders or other persons dealing in the Shares or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Joint Underwriters’ right of termination of the Underwriting Agreement ceases), which is expected to be 5:00 p.m. on Tuesday, 22 September 2015, will bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating selling or purchasing the Shares and/or the nil-paid Rights Shares are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. If they are in any doubt about their position, they are recommended to consult their own professional advisers.

TRADING ARRANGEMENTS

The last day for dealing in the Shares on a cum-rights basis is Thursday, 20 August 2015. The Shares will be dealt in on an ex-rights basis from Friday, 21 August 2015. To qualify for the Rights Issue, a Qualifying Shareholder’s name must appear on the register of members of the Bank at 5:00 p.m. on the Record Date, which is currently expected to be Monday, 31 August 2015.

In order to be registered as a member at 5:00 p.m. on the Record Date, any transfer of Shares (together with the relevant share certificate(s)) must be lodged with the Bank’s share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration by 4:30 p.m. on Monday, 24 August 2015. The register of members will be closed from Tuesday, 25 August 2015 to Monday, 31 August 2015 (both days inclusive). No transfers of Shares will be registered during this period.

The latest time for acceptance of and payment for the Rights Shares and application for excess Rights Shares is expected to be 4:00 p.m. on Wednesday, 16 September 2015. The Bank will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully paid forms. For details of the trading arrangements, please refer to the section headed “*Expected Timetable*” in this announcement.

SHAREHOLDERS' APPROVAL IS NOT REQUIRED

As the Rights Issue will not increase the issued capital or the market capitalisation of the Bank by more than 50%, the Rights Issue is not subject to the approval of the Shareholders in general meeting.

GENERAL

The Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be despatched by the Bank, together with the PALs and EAFs, to Qualifying Shareholders on or before Tuesday, 1 September 2015. A copy of the Prospectus will also be made available on the websites of the Bank (www.chbank.com) and the Stock Exchange (www.hkexnews.hk). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Bank will send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send any PALs or EAFs to them. The Prospectus will not be distributed, and the Rights Shares will not be sold, in the United States.

1. TERMS OF THE RIGHTS ISSUE

The Bank proposes to raise approximately HK\$3,708 million, before expenses, by way of the Rights Issue, on the basis of one Rights Share for every two Shares held by the Qualifying Shareholders at 5:00 p.m. on the Record Date.

The Rights Issue will involve the issue of 217,500,000 Rights Shares at a Subscription Price of HK\$17.05 per Rights Share payable in full on application.

The Underwritten Rights Shares are fully underwritten by the Joint Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement.

Rights Issue Statistics

Basis of Rights Issue	:	One Rights Share for every two Shares held at 5:00 p.m. on the Record Date
Number of Shares in issue	:	435,000,000 Shares as at the date of this announcement
Number of Rights Shares	:	217,500,000 Rights Shares
Subscription Price	:	HK\$17.05 per Rights Share
Status	:	The Rights Shares, when allotted, issued and fully paid, will rank <i>pari passu</i> in all respects with the Shares then in issue. Following issuance of the fully paid Rights Shares, holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions the record dates of which are on or after the date of issue of the fully paid Rights Shares. For the avoidance of doubt, the fully paid Rights Shares will not entitle the holders thereof to the Bank's 2015 interim cash dividend of HK\$0.21 per Share for the six months ended 30 June 2015 as announced by the Bank on 17 August 2015
Joint Underwriters (<i>in alphabetical order</i>)	:	BOCI, DBS and Nomura
Number of Underwritten Rights Shares	:	54,375,000 Rights Shares

As at the date of this announcement, the Bank has no outstanding convertible securities, options or warrants in issue or similar rights which confer any right to subscribe for, or convert or exchange into, Shares.

Assuming no new Shares (other than the Rights Shares) are allotted and issued before 5:00 p.m. on the Record Date, the nil-paid Rights Shares proposed to be provisionally allotted represent:

- (i) 50.00% of the Bank's issued share capital as at the date of this announcement; and
- (ii) approximately 33.33% of the Bank's enlarged issued share capital as enlarged by the issue of the Rights Shares.

Qualifying Shareholders

The Bank will send the Prospectus Documents to the Qualifying Shareholders only. The Bank will, to the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, send the Prospectus to the Non-Qualifying Shareholders for their information only. The Bank will not send any PAL

or EAF to the Non-Qualifying Shareholders. The Prospectus will not be distributed, and the Rights Share will not be sold, in the United States.

To qualify for the Rights Issue, a Shareholder must be:

- (i) registered as a member of the Bank at 5:00 p.m. on the Record Date; and
- (ii) a Qualifying Shareholder.

In order to be registered as a member of the Bank at 5:00 p.m. on the Record Date, Shareholders must lodge any transfers of Shares (together with the relevant share certificate(s)) with the Bank's share registrar and transfer office, being Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 24 August 2015.

Each Qualifying Shareholder is entitled to subscribe for the Rights Shares in proportion to his/her/its shareholding in the Bank held at 5:00 p.m. on the Record Date. Qualifying Shareholders who take up their *pro rata* entitlements in full will not suffer any dilution to their interests in the Bank under the Rights Issue (apart from fractional entitlements to Rights Shares). If a Qualifying Shareholder does not take up his/her/its entitlement under the Rights Issue in full, his/her/its proportionate holding of Shares in the Bank will be diluted.

The PRC Stock Connect Investors may participate in the Rights Issue through China Securities Depository and Clearing Corporation Limited ("**ChinaClear**"). ChinaClear will provide nominee services for the PRC Stock Connect Investors to (i) sell their nil-paid Rights Shares on the Stock Exchange; and/or (ii) subscribe for their *pro rata* entitlement in respect of Shares held on the Record Date at the Subscription Price under the Rights Issue in accordance with the relevant laws and regulations. However, ChinaClear will not support applications by such PRC Stock Connect Investors for excess Rights Shares under the Rights Issue through Shanghai-Hong Kong Stock Connect.

Closure of Register of Members

The register of members of the Bank will be closed from Tuesday, 25 August 2015 to Monday, 31 August 2015 (both days inclusive) to determine the eligibility of the Shareholders to participate in the Rights Issue. No transfers of Shares will be registered during this period.

Subscription Price

The Subscription Price for the Rights Shares is HK\$17.05 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the relevant provisional allotment of Rights Shares or, where applicable, upon application for excess Rights Shares under the Rights Issue or when a renouncee or transferee of nil-paid Rights Shares applies for the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 26.03% to the closing price of HK\$23.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 19.00% to the theoretical ex-rights price of HK\$21.05 per Share, which is calculated on the basis of the closing price of HK\$23.05 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 28.00% to the average of the closing prices per Share as quoted on the Stock Exchange for the five trading days ending on the Last Trading Day of approximately HK\$23.68 per Share;
- (iv) a discount of approximately 28.48% to the average of the closing prices per Share as quoted on the Stock Exchange for the ten trading days ending on the Last Trading Day of approximately HK\$23.84 per Share;
- (v) a discount of approximately 12.43% to the audited consolidated net asset value (excluding additional equity instruments and before the final dividend) attributable to shareholders of the Bank as at 31 December 2014 of approximately HK\$19.47 per Share; and
- (vi) a discount of approximately 17.43% to the unaudited consolidated net asset value (excluding additional equity instruments and before the interim dividend) attributable to shareholders of the Bank as at 30 June 2015 of approximately HK\$20.65 per Share.

Each Rights Share has no par value.

The Subscription Price was determined by the Directors after arm's length negotiations between the Bank and the Joint Underwriters with reference to the market price of the Shares prior to and including the Last Trading Day. The Directors, having regard to the prevailing market condition, consider that the Subscription Price has been set at a reasonable discount to the recent closing price of the Shares in order to encourage existing Shareholders to take up their entitlements to participate in the potential growth of the Bank in the future while maintaining their *pro rata* shareholdings in the Bank.

After taking into consideration the reasons for the Rights Issue as stated in the section headed "*Reasons for the Rights Issue and Use of Proceeds of the Rights Issue*" in this announcement, the Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price (and the discounts to the relative values as indicated above), to be fair and reasonable and to be in the interests of the Bank and the Shareholders as a whole.

Basis of Provisional Allotment of Rights Shares

The basis of the provisional allotment shall be one Rights Share for every two Shares held at 5:00 p.m. on the Record Date, being 217,500,000 Rights Shares in aggregate, at a price of HK\$17.05 per Rights Share. Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

If a Qualifying Shareholder wishes to accept part only of, or to renounce or transfer a part of, the Rights Shares provisionally allotted to him/her/it under the PAL, such Qualifying Shareholders will need to split his/her/its PAL into the denominations required. Details of how to split PALs will be set out in the Prospectus.

Fractions of Rights Shares

The Bank will not provisionally allot or issue fractions of Rights Shares. All fractions of Rights Shares will be aggregated (rounded down to the nearest whole number). All nil-paid Rights Shares arising from such aggregation will be provisionally allotted (in nil-paid form) to BOCI Securities Limited or its nominee, and will be sold in the market if a premium (net of expenses) can be obtained, with the Bank retaining the proceeds for its own benefit. Any unsold fractions of Rights Shares will be made available to meet excess applications by the Qualifying Shareholders (other than the PRC Stock Connect Investors).

No odd lot matching services will be provided as the Directors are of the view that, having compared the fees to be charged by a designated securities broker and the market value of the odd lots of Shares, it will not be cost-effective for the Bank to appoint such a broker to provide matching services for odd lots of Shares.

Share Certificates and Refund Cheques for Rights Issue

Subject to the fulfilment of the conditions of the Rights Issue, share certificates for all fully paid Rights Shares are expected to be despatched on or before Thursday, 24 September 2015 to those who have accepted and (where applicable) applied and paid for the Rights Shares by ordinary post at their own risk.

Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares (if any) are expected to be despatched on or before Thursday, 24 September 2015 by ordinary post to the applicants at their own risk.

Status of Rights Shares

The Rights Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the Shares then in issue. Following issuance of the fully paid Rights Shares, holders of the fully paid Rights Shares will be entitled to receive all future dividends and distributions the record dates of which are on or after the date of issue of the fully paid Rights Shares. **For the avoidance of doubt, the fully paid Rights Shares will not entitle the holders thereof to the Bank's 2015 interim cash dividend of HK\$0.21 per Share for the six months ended 30 June 2015 as announced by the Bank on 17 August 2015.**

Overseas Shareholders

If there are Overseas Shareholders at 5:00 p.m. on the Record Date, the Overseas Shareholders may not be eligible to take part in the Rights Issue as explained below.

The Directors will make enquiries, to be based on legal opinions provided by legal advisers if the Directors consider necessary, as to whether the issue of Rights Shares to any Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas jurisdictions or the requirements of any relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules. If, after making such enquiries, the Directors are of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant jurisdiction or any requirement of the relevant regulatory body or stock exchange in such jurisdiction, not to offer Rights Shares to any such Overseas Shareholders, no provisional allotment of nil-paid Rights Shares or allotment of fully paid Rights Shares will be made to such Overseas Shareholders.

The Rights Issue will not be extended to the Non-Qualifying Shareholders and no Rights Shares will be provisionally allotted to them. The Bank will, to the extent reasonably practicable, send the Prospectus to the Non-Qualifying Shareholders on the date of despatch for their information only but will not send PALs or EAFs to them. The Prospectus Documents are not intended to be registered or filed under the applicable securities legislation of any jurisdiction other than: (i) the PRC, in accordance with the notice of the China Securities and Regulatory Commission “Filing Requirements for Hong Kong Listed Issuers Making Rights Issues to Mainland Shareholders through Shanghai-Hong Kong Stock Connect” (Announcement 2014 No. 48); and (ii) Hong Kong.

The basis of exclusion of the Non-Qualifying Shareholders, if any, from the Rights Issue will be disclosed in the Prospectus.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholders, had they been Qualifying Shareholders, to be provisionally allotted (in nil-paid form) to BOCI Securities Limited or its nominee, and will be sold in the market in their nil-paid form after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the latest time for acceptance of Rights Shares, if a premium (net of expenses) can be obtained. The proceeds of sale, less expenses and stamp duty, above HK\$100 will be paid to the relevant Non-Qualifying Shareholder(s) (*pro rata* to their entitlements at 5:00 p.m. on the Record Date) in Hong Kong dollars. The Bank will retain individual amounts of HK\$100 or less for the benefit of the Bank. Any unsold entitlement of Non-Qualifying Shareholders, together with any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders or otherwise subscribed for by renounees or transferees of nil-paid Rights Shares, will be made available to meet excess applications on EAFs by the Qualifying Shareholders (other than the PRC Stock Connect Investors).

Overseas Shareholders and beneficial owners of the Shares who are residing outside Hong Kong should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. The Bank reserves the right to treat as invalid any acceptances of or applications for the Rights Shares where it believes that such acceptance or application would violate the applicable securities or other laws or regulations of any territory or jurisdiction. Accordingly, Overseas Shareholders and beneficial owners of Shares who are residing outside Hong Kong should exercise caution when dealing in the Shares.

Application for Excess Rights Shares

Qualifying Shareholders (other than the PRC Stock Connect Investors) may apply, by way of excess applications, for any unsold entitlements of the Non-Qualifying Shareholders (if any), any unsold Rights Shares created by aggregating fractions of the Rights Shares, and any Rights Shares provisionally allotted but not validly accepted by Qualifying Shareholders or otherwise subscribed for by renounees or transferees of nil-paid Rights Shares.

Applications for excess Rights Shares can be made only by Qualifying Shareholders (other than the PRC Stock Connect Investors) and only by completing an EAF and lodging the same with a separate remittance for the excess Rights Shares being applied for with the share registrar and transfer office of the Bank in Hong Kong, being Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 4:00 p.m. on Wednesday, 16 September 2015, or such later time and/or date as may be agreed between the Bank and the Joint Underwriters.

The Directors will, upon consultation with the Joint Underwriters, allocate the excess Rights Shares at their discretion on a fair and equitable according to the principle that any excess Rights Shares will be allocated to Qualifying Shareholders (other than the PRC Stock Connect Investors) who apply for them on a pro rata basis by reference to the number of excess Rights Shares applied for, but no reference will be made to the number of Rights Shares applied for under a PAL or the existing number of Shares held by such Qualifying Shareholders. If the aggregate number of Rights Shares not taken up by the Qualifying Shareholders under PALs is greater than the aggregate number of excess Rights Shares applied for through EAFs, the Directors will allocate in full to each Qualifying Shareholder (other than the PRC Stock Connect Investors) the number of excess Rights Shares applied for under the EAFs. No preference will be given to topping up odd lots to whole board lots.

Investors with their Shares held by a nominee (or which are held in CCASS) should note that the Directors will regard the nominee (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Bank. Accordingly, investors whose Shares are registered in the name of a nominee (or which are held in CCASS) should note that the above arrangement for allocation of excess Rights Shares will not be extended to them individually. Beneficial owners with their Shares held by a nominee (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares in their own names prior to 4:30 p.m. on Monday, 24 August 2015.

Investors whose Shares are held by a nominee (or which are held in CCASS) and who would like to have their names registered on the register of members of the Bank, must lodge all necessary documents with the share registrar and transfer office of Bank, being Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for completion of the relevant registration by 4:30 p.m. on Monday, 24 August 2015. The register of members of the Bank will be closed from Tuesday, 25 August 2015 to Monday, 31 August 2015 (both days inclusive).

Application for Listing and Dealing Arrangements

The Bank will make an application to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully paid forms. No part of the securities of the Bank in issue or for which listing or permission to deal is being or is proposed to be sought is listed or dealt in or on any stock exchange (other than the Stock Exchange). The nil-paid Rights Shares shall have the same board lot size as the Shares (i.e. 1,000 Shares in one board lot).

Dealings in the Rights Shares in their nil-paid and fully paid forms will be subject to the payment of stamp duty and any other applicable fees and charges in Hong Kong.

Rights Shares will be Eligible for Admission into CCASS

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter.

All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time. Shareholders should seek advice from their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

2. UNDERWRITING ARRANGEMENTS FOR THE RIGHTS ISSUE

Undertaking by Yuexiu Financial Holdings

Pursuant to the Irrevocable Undertaking, each of Yuexiu Financial Holdings (which is interested as at the date of this announcement in 326,250,000 Shares representing 75.0% of the total issued share capital of the Bank) and Yue Xiu Enterprises (which holds 100% of Yuexiu Financial Holdings) has irrevocably undertaken to the Bank and the Joint Underwriters that it will (in the case of Yuexiu Financial Holdings) subscribe or (in the case of Yue Xiu Enterprises) procure Yuexiu Financial Holdings to subscribe for the 163,125,000 Rights Shares to be provisionally allotted to Yuexiu Financial Holdings, subject to the terms and conditions of the Rights Issue.

As at the date of this announcement, save for the Irrevocable Undertaking, the Bank has not obtained undertakings from any other Shareholders that they will subscribe for any or all of the Rights Shares to be provisionally allotted to them.

Principal Terms of the Underwriting Agreement

The Joint Underwriters have agreed to underwrite in full the Underwritten Rights Shares, subject to the terms and conditions of the Underwriting Agreement described below.

Date	:	17 August 2015
Issuer	:	The Bank
Joint Underwriters (<i>in alphabetical order</i>)	:	BOCI, DBS and Nomura
Number of Rights Shares underwritten	:	All of the Underwritten Rights Shares, being all the Rights Shares other than the 163,125,000 Rights Shares to be subscribed for by Yuexiu Financial Holdings pursuant to the Irrevocable Undertaking
Commission	:	(i) An underwriting commission of 2.40% of the aggregate Subscription Price of the Underwritten Rights Shares; and (ii) at the sole discretion of the Bank, a discretionary incentive of 0.5% of the aggregate Subscription Price of the Underwritten Rights Shares

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Joint Underwriters and their respective ultimate beneficial owners are third parties which are independent of the Bank and its connected persons.

The Directors consider that the Underwriting Agreement is (i) on normal commercial terms and (ii) fair and reasonable so far as the Shareholders are concerned.

Conditions of the Rights Issue and the Underwriting Agreement

The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms.

The obligations of the Joint Underwriters to underwrite the Rights Issue are conditional upon the fulfilment of the following conditions:

- (i) permission for the listing of and to deal in the Rights Shares (in their nil-paid and fully-paid forms) on the Main Board of the Stock Exchange being granted (subject only to allotment and despatch of the appropriate documents of title) by no later than the Business Day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms, respectively), and such permission not being withdrawn or amended prior to the Latest Time for Termination;

- (ii) the Stock Exchange issuing a certificate authorising registration of the Prospectus with the Hong Kong Companies Registry under section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance not later than the Business Day prior to the date of the Prospectus (or such later time and/or date as the Bank and the Joint Underwriters may agree in writing) and, following registration of the Prospectus as referred to in (iii) below, a copy of the Prospectus having been submitted to the Stock Exchange for publication on its website not later than the date of the Prospectus (or such later time and/or date as the Bank and the Joint Underwriters may agree in writing);
- (iii) a duly certified copy of the Prospectus (and other required documents) having been lodged with the Hong Kong Companies Registry not later than the Business Day prior to the date of the Prospectus (or such later time and/or date as the Bank and the Joint Underwriters may agree in writing), and the Hong Kong Companies Registry issuing a confirmation of registration letter not later than the Business Day prior to the date of the Prospectus (or such later time and/or date as the Bank and the Joint Underwriters may agree in writing);
- (iv) each condition to enable the nil-paid Rights Shares to be admitted as eligible securities for deposit, clearance and settlement in CCASS having been satisfied on or before the Business Day prior to the commencement of trading of the Rights Shares (in their nil-paid and fully-paid forms, respectively) and no notification having been received by the Bank from HKSCC by such time that such admission or facility for holding and settlement has been or is to be refused;
- (v) the representations, warranties or undertakings contained in the Underwriting Agreement being true and accurate and not misleading in any respect on and as of the date of the Underwriting Agreement and at any time before the Latest Time for Termination, as though they had been given and made at such time by reference to the facts and circumstances then subsisting;
- (vi) compliance by the Bank with its obligations under the Underwriting Agreement, including, without limitation:
 - (a) to publish this announcement in accordance with the Underwriting Agreement by the time specified therein;
 - (b) to provisionally allot the Rights Shares in accordance with the Underwriting Agreement by the time specified therein;
 - (c) to despatch the Prospectus Documents to the Qualifying Shareholders in accordance with the Underwriting Agreement by the time specified therein; and
 - (d) to deliver to the Joint Underwriters the deliverables as provided in the Underwriting Agreement in accordance with the timing specified therein;
- (vii) compliance by each of Yuexiu Financial Holdings and Yue Xiu Enterprises with its obligations under the Irrevocable Undertaking and the Irrevocable Undertaking remaining in full force and effect; and

(viii) clearance of the timetable for the Rights Issue by the Stock Exchange.

If any of the above conditions of the Underwriting Agreement is not fulfilled, or becomes incapable of fulfilment, on or prior to the relevant time and date specified in the Underwriting Agreement or, if no such date is so specified or referred to, is not fulfilled on or prior to the Latest Time for Termination (or such later date or dates as the Joint Underwriters may agree with the Bank in writing), the Underwriting Agreement (save in respect of certain rights and obligations under the Underwriting Agreement) shall terminate and no party will have any claim against any other for costs, damages, compensation or otherwise, provided that such termination shall be without prejudice to the rights of the parties in respect of any breach of the Underwriting Agreement occurring prior to such termination.

Termination of the Underwriting Agreement

If at any time prior to the Latest Time for Termination:

- (i) any matter or circumstance arises as a result of which any of the conditions set out in the section headed “*Conditions of the Rights Issue and the Underwriting Agreement*” has become incapable of satisfaction as at the required time;
- (ii) the fact that any of the representations, warranties or undertakings contained in the Underwriting Agreement is untrue, inaccurate, misleading in any respect comes to the knowledge of the Joint Underwriters, or there has been a breach on the part of the Bank of any other provision of the Underwriting Agreement or a breach on the part of each of Yuexiu Financial Holdings and Yue Xiu Enterprises of the Irrevocable Undertaking, or the Joint Underwriters have cause to believe that any such breach has occurred;
- (iii) any event occurs or matter arises or is discovered, which, if it had occurred before the date of the Underwriting Agreement or before any of the dates or before any time on which the representations, warranties and undertakings are deemed to be given pursuant to the Underwriting Agreement would have rendered any of those representations, warranties or undertakings untrue, inaccurate, incomplete or misleading in any respect;
- (iv) the Bank’s application to the Stock Exchange for permission for the listing of and to deal in the Rights Shares (in their nil-paid and fully-paid forms) on the Main Board of the Stock Exchange is withdrawn by the Bank and/or refused by the Stock Exchange;
- (v) any condition to enable the nil-paid Rights Shares to be admitted as eligible securities for deposit, clearance and settlement in CCASS is not satisfied or notification is received by the Bank from HKSCC that such admission or facility for holding and settlement has been or is to be refused; or

- (vi) (a) any statement contained in this announcement or a Prospectus Document has become or been discovered to be untrue, inaccurate, incomplete or misleading in any respect;
- (b) any matter arises or is discovered which would, if this announcement or a Prospectus Document was to be issued at the time, constitute an omission therefrom;
- (c) any event, act or omission occurs which gives or is likely to give rise to any liability of the Bank pursuant to the indemnities referred to in the Underwriting Agreement;
- (d) there is any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of the Group;
- (e) there has occurred, happened, come into effect or become public knowledge any event, series of events or circumstances concerning or relating to (whether or not foreseeable):
 - (a) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the Stock Exchange and/or any other stock exchange on which the Bank's securities are traded;
 - (b) a suspension or a material limitation in trading in the Bank's securities on the Stock Exchange and/or any other stock exchange on which the Bank's securities are traded (other than pending publication of announcing the Rights Issue or any other announcement relating to the Rights Issue);
 - (c) a general moratorium on commercial banking activities in the United States, Hong Kong, the PRC and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong, the PRC or the United Kingdom;
 - or (d) a change or development involving a prospective change in taxation affecting the Bank, the Shares or the transfer thereof;
- (f) there shall have occurred any event or series of events (including without limitation the occurrence of any local, national or international outbreak or escalation of disaster, riot, public disorder, civil commotion, fire, flood, explosion, outbreak of an infectious disease, calamity, crisis, strike, lock-out, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic); or
- (g) the Bank is required to publish a supplementary prospectus in accordance with Rule 11.13 of the Listing Rules or otherwise,

which, in the sole opinion of the Joint Underwriters:

- (1) is or will be, or is likely to be, materially adverse to the general affairs, management, business, financial, trading or other condition or prospects of the Group or to any present or prospective Shareholder in its capacity as such;
- (2) has or will have or is likely to have a material adverse impact on the success of the Rights Issue or dealings in the Rights Shares in the secondary market; or
- (3) makes it impracticable, inadvisable or inexpedient to proceed with the Rights Issue on the terms and in the manner contemplated in this announcement and the Prospectus Documents,

then in any such case the Joint Underwriters, acting jointly, may by notice in writing to the Bank, served prior to the Latest Time for Termination, rescind or terminate the Underwriting Agreement.

If, prior to the Latest Time for Termination, any notice of rescission or termination is given by the Joint Underwriters in accordance with the Underwriting Agreement, the obligations of all parties under the Underwriting Agreement (save in respect of certain rights or obligations under the Underwriting Agreement) shall terminate forthwith and no party will have any claim against any other for costs, damages, compensation or otherwise, provided that such termination shall be without prejudice to the rights of the parties hereto in respect of any breach of the Underwriting Agreement occurring prior to such termination.

If the Underwriting Agreement does not become unconditional or is terminated, the Rights Issue will not proceed and a further announcement will be made by the Bank.

Lock-up Undertakings

Pursuant to the Underwriting Agreement, the Bank has undertaken to the Joint Underwriters that for the period from the date of the Underwriting Agreement and ending on the date which is 90 days after the first day of trading of the Rights Shares on the Stock Exchange, except with the prior written consent of the Joint Underwriters, it shall not (except for the Rights Shares):

- (i) undertake any consolidation or subdivision of its share capital, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares;
- (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above; or
- (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above,

provided that the above restrictions shall cease to apply if the Underwriting Agreement (a) does not become unconditional and is terminated; or (b) is terminated by the Joint Underwriters pursuant to the Underwriting Agreement.

Pursuant to the Irrevocable Undertaking, each of Yue Xiu Enterprises and Yue Xiu Financial Holdings has undertaken to the Bank and the Joint Underwriters that, from the date of the Irrevocable Undertaking up to 90 days after the first day of trading of the Rights Shares on the Stock Exchange it will not or (in the case of Yue Xiu Enterprises) it will procure Yue Xiu Financial Holdings will not, among other things:

- (i) sell, offer to sell, contract or agree to sell, lend, grant any option, warrant, contract or right to purchase, purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, directly or indirectly, conditionally or unconditionally, any Shares held by, or any Rights Shares provisionally allotted to, us or any interest therein (including, without limitation, any securities which are convertible into or exchangeable or exercisable for, or represent the right to receive, or any warrants or other rights to purchase, any such Shares); or
- (ii) enter into any swap or other transaction that transfers, in whole or in part, the economic consequences of ownership of any such Shares; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to enter in or effect any transaction described in (i), (ii) or (iii) above,

in each case, whether any of the transactions described in (i), (ii) or (iii) above is to be settled by delivery of Shares, in cash or otherwise.

Irrevocable Undertaking

Pursuant to the Irrevocable Undertaking, each of Yue Xiu Enterprises and Yue Xiu Financial Holdings has undertaken to the Bank and the Joint Underwriters that, it will not or (in the case of Yue Xiu Enterprises) it will procure Yue Xiu Financial Holdings will not, among other things:

- (i) subscribe or apply for any Rights Shares by way of excess application;
- (ii) acquire any further Shares on or before the Record Date; and
- (iii) acquire any further Shares on or before completion of the Rights Issue if such acquisition would trigger an obligation to make a mandatory general offer under the Hong Kong Code on Takeovers and Mergers.

3. WARNING OF THE RISKS OF DEALING IN THE SHARES AND NIL-PAID RIGHTS SHARES

The Underwriting Agreement contains provisions granting the Joint Underwriters a right to terminate their obligations on the occurrence of certain events. Please refer to the section headed “*Termination of the Underwriting Agreement*” in this announcement for further details. The Rights Issue is conditional upon the Underwriting Agreement becoming unconditional and not being terminated in accordance with its terms. If the Underwriting Agreement does not become unconditional or is terminated in accordance with its terms, the Rights Issue will not proceed and the Bank will make an announcement at the relevant time.

Any Shareholders or other persons dealing in the Shares or the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Joint Underwriters’ right of termination of the Underwriting Agreement ceases), which is expected to be 5:00 p.m. on Tuesday, 22 September 2015, will bear the risk that the Rights Issue may not become unconditional or may not proceed.

Any Shareholders or other persons contemplating selling or purchasing the Shares and/or the nil-paid Rights Shares are advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares. If they are in any doubt about their position, they are recommended to consult their own professional advisers.

4. EXPECTED TIMETABLE

The expected timetable for the proposed Rights Issue is set out below:

Last day of dealings in Shares on a cum-rights basis Thursday, 20 August 2015

First day of dealings in Shares on an ex-rights basis Friday, 21 August 2015

Latest time for lodging transfers of Shares and related documents in order to qualify for the Rights Issue 4:30 p.m. on Monday, 24 August 2015

Register of members closes Tuesday, 25 August 2015 to Monday, 31 August 2015 (both days inclusive)

Record Date Monday, 31 August 2015

Despatch of the Prospectus Documents Tuesday, 1 September 2015

Register of members re-opens Tuesday, 1 September 2015

Dealings in nil-paid Rights Shares commence 9:00 a.m. on Friday, 4 September 2015

Register of members closes ⁽¹⁾	Monday, 7 September 2015
Latest time for splitting of nil-paid Rights Shares	4:30 p.m. on Tuesday, 8 September 2015
Register of members re-opens	Tuesday, 8 September 2015
Dealings in nil-paid Rights Shares close	4:00 p.m. on Friday, 11 September 2015
Latest time for payment for and acceptance of Rights Shares and the application and payment for excess Rights Shares	4:00 p.m. on Wednesday, 16 September 2015
Rights Issue expected to become unconditional	5:00 p.m. on Tuesday, 22 September 2015
Announcement of results of acceptances of and excess applications for the Rights Issue.	Wednesday, 23 September 2015
Despatch of refund cheques for wholly and partially unsuccessful excess applications on or before	Thursday, 24 September 2015
Despatch of share certificates for Rights Shares on or before	Thursday, 24 September 2015
Dealings in fully paid Rights Shares commence	9:00 a.m. on Friday, 25 September 2015

Notes:

- (1) The register of members of the Bank will be closed on Monday, 7 September 2015 to ascertain the Shareholders who are entitled to receive the 2015 interim cash dividend. In order to qualify for the 2015 interim cash dividend, all transfer documents along with relevant share certificates must be lodged for registration with the Bank's share registrar and transfer office by not later than 4:30 p.m. on Friday, 4 September 2015. Further details of the closure of register of members in relation to the 2015 interim cash dividend are set out in the announcement of the Bank dated 17 August 2015.
- (2) Shareholders should note that the dates or deadlines specified in the expected timetable of the Rights Issue as set out above, and in other parts of this announcement, are indicative only and may be varied by agreement between the Bank and the Joint Underwriters. In the event any special circumstances arise, the Directors may extend, or make adjustment to, the timetable if they consider appropriate. The Bank will make an announcement to notify Shareholders and the Stock Exchange of any such extension or adjustment to the expected timetable.
- (3) All times and dates in this announcement refer to Hong Kong local times and dates.

Effect of Bad Weather on Latest Time for Acceptance of and Payment for Rights Shares and Excess Rights Shares

The latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will not take place as shown if there is a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 16 September 2015. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 16 September 2015. Instead the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares will be rescheduled to 4:00 p.m. on the next following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares and for application and payment for excess Rights Shares does not take place on Wednesday, 16 September 2015, the dates mentioned in the section headed “*Expected Timetable*” above may be affected. The Bank will notify Shareholders by way of announcements on any change to the expected timetable as soon as practicable.

5. REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS OF THE RIGHTS ISSUE

The estimated gross proceeds of the Rights Issue will be approximately HK\$3,708 million.

The estimated net proceeds of the Rights Issue are expected to be approximately HK\$3,675 million after the deduction of all estimated expenses.

The Bank intends to use the net proceeds of the Rights Issue as follows:

- to expand the Bank’s business;
- to position the Bank for sustainable growth and to satisfy its capital adequacy requirements; and
- to reposition the Bank’s branch network to focus on locations of strategic value and to upgrade the core banking information technology systems to enhance the Bank’s infrastructure to support future growth.

The estimated expenses of the Rights Issue (including underwriting fees, printing, registration, translation, legal and accounting charges and other related expenses) amount to approximately HK\$33 million and will be borne by the Bank. The net subscription price per Rights Share upon full acceptance of the relevant provisional allotment of Rights Shares is expected to be approximately HK\$16.90 per Rights Share.

6. BUSINESS REVIEW, TRENDS AND PROSPECTS OF THE GROUP

Overview

The Bank is a full-service bank which operates primarily in Hong Kong. As at the date of this announcement, the Bank had a network comprising a head office and 49 branches, including 47 branches in Hong Kong, a branch in each of Shantou and Macau, as well as a sub-branch in each of Guangzhou and Foshan and a representative office in each of Shanghai and San Francisco. The Bank is a constituent stock of the Hang Seng Composite Index with a market capitalisation of approximately HK\$10.03 billion (US\$1.3 billion) as at 13 August 2015.

Financial Performance

For the six months ended 30 June 2015, the Bank achieved rapid growth in terms of profits while maintaining a sound assets quality.

The Bank's operating profit after impairment allowances primarily includes net interest income, net fee and commission income, net trading income and operating expenses. Net interest income was approximately HK\$845 million for the six months ended 30 June 2015, representing an increase of 36.5% from the corresponding period in 2014, whilst net interest margin remained relatively stable at 1.51% for the six months ended 30 June 2015. Net fee and commission income was approximately HK\$185 million for the six months ended 30 June 2015, representing an increase of 85.6% from the corresponding period in 2014, whilst fee and commission income from securities dealings was approximately HK\$111 million for the six months ended 30 June 2015, representing an increase of 86.2% from the corresponding period in 2014. Net trading income was approximately HK\$42 million for the six months ended 30 June 2015, representing an increase of 14.1% from the corresponding period in 2014, whilst foreign exchange income was approximately HK\$47 million for the six months ended 30 June 2015, representing an increase of 27.3% from the corresponding period in 2014. Operating profit after impairment allowances was approximately HK\$604 million for the six months ended 30 June 2015, representing an increase of 33.7% from the corresponding period in 2014. The Bank's profit attributable to equity owners was approximately HK\$726 million for the six months ended 30 June 2015, representing an increase of 87.2% from the corresponding period in 2014 after excluding the net gains in an amount of approximately HK\$1,950 million (net of tax) on disposal of Chong Hing Bank Centre in 2014.

The majority of the Bank's assets are loans and advances to customers which were HK\$62,333 million as at 30 June 2015, representing an increase of 9.5% from 31 December 2014. As of 30 June 2015, the impaired loan ratio was 0.05%; the provision coverage of impaired loans and advances was 891.52%; and the rescheduled loan ratio remained at 0.01%.

In addition, the Bank's total advances to customers, total customers' deposits, total assets and total equity increased steadily from 2013 to 2014 and during the first six months in 2015. The Bank expects that upon receipt of the proceeds of the Rights Issue, the capital and financial position of the Bank will be further strengthened.

Relationship with Yue Xiu Group

In February 2014, Yue Xiu Group completed its acquisition of a 75.0% shareholding interest in the Bank. Since then, the Bank has become a subsidiary of Guangzhou Yue Xiu Holdings. With the combination of the resources from a state-owned enterprise and the Bank's management ability and corporate governance, the Bank has a unique advantage compared to its competitors in Hong Kong and South China.

Guangzhou Yue Xiu Holdings is the largest state-owned enterprise in Guangzhou in terms of total assets as at 31 December 2014. Besides the banking business operated by the Bank, Yue Xiu Group has business segments including real estate, transport infrastructure, securities, paper, building material and assets management. Subject to applicable laws and regulations, it is expected that Yue Xiu Group is able to refer business opportunities to the Bank as well as to provide financial support to the Bank, when necessary.

The Bank has more than 60 years of experience in the banking industry in Hong Kong, one of the top international financial centres in the world. Leveraging on its superior business management and corporate governance, the Bank will continue to utilise the resources of Yue Xiu Group to expand its business in both Hong Kong and the South China region with presence in strategic locations in other parts of the PRC as well as overseas.

Business Environment

In the first half of 2015, the global economy experienced modest recovery. Monetary policies of major central banks around the world remained eased amid the continuing low interest rate environment. Facing a complicated and dynamic international environment, the economic growth in the PRC slowed down, and the PRC's economy entered into an economic development stage, commonly referred to as the "new normal". The People's Bank of China twice reduced interest rates and lowered the reserve requirement ratio ("RRR") during the period from February to May in 2015. On 27 June 2015, the People's Bank of China, for the first time within seven years, announced a further reduction of 25 basis points in the deposit and loan interest rates for financial institutions and a directional cut of 50 basis points in the RRR, aimed at further reducing enterprise financing costs and stimulating development in the real economy, thereby promoting structural adjustments.

There are business opportunities arising from the closer trade relationship between Hong Kong and the PRC, supported by various national policies which will enable Hong Kong to play a significant role in the investment and financing sectors and thereby consolidate Hong Kong's position as an international financial centre and the biggest offshore Renminbi centre.

Shanghai-Hong Kong Stock Connect has operated smoothly since its launch in November 2014, with the southbound investment in Hong Kong-listed stocks setting a new record for single-day transactions by volume in April 2015. “Mutual Recognition of Funds”, a policy encouraging qualified PRC and Hong Kong funds to be established on either side of the border and greatly simplifying that process, was officially launched on 1 July 2015, which is expected to open up new areas of asset management in the PRC and Hong Kong and to strengthen financial ties on both sides. “Shenzhen-Hong Kong Connect”, another mechanism promoting interconnectedness, is expected to be launched by the end of 2015. These three financial industry drivers are expected to bring fresh momentum to the Hong Kong economy in the second half of 2015.

This year is the seventh consecutive year that China’s Ministry of Finance has issued sovereign bonds in Hong Kong in the total amount of RMB28 billion, demonstrating the Central Government’s commitment to developing Hong Kong into an offshore Renminbi business centre. The newly established Asian Infrastructure Investment Bank, together with the “One Belt, One Road” policy, will build regional economic cooperation and integration and further internationalise the Renminbi, creating new opportunities in corporate financing for the banking industry. In addition, cooperation and integration between the PRC and Hong Kong is expected to continue. With the establishment of the Guangdong free trade zone, an important cross-border Renminbi business platform will be established, which is expected to encourage trade co-operation between Guangdong and Hong Kong, promote its investment and financing, and usher Hong Kong into a new era of cross-border Renminbi business development.

Business Development

Hong Kong will continue to be the main source of growth for the Bank in the near future. The Bank plans to provide a wider range of products and services to diversify its sources of income and to cater for the various needs of corporate and personal customers. These plans include (i) developing new products focusing on Renminbi-related services, (ii) developing cross-border banking products and services and (iii) increasing cross-selling, in particular, mortgage, wealth management, retail brokerage and insurance services. The Bank also plans to deepen its customer segmentation through customer retention and new customer acquisition, to develop additional businesses with selected customer segments (such as Hong Kong corporates), to develop a small- and medium-sized enterprises model, and to reposition its branch network with more strategic locations in Hong Kong and an increased number of both in-branch and offsite ATMs. Further, the Bank intends to upgrade its core banking information technology systems to enhance its infrastructure, and to strengthen other electronic channels to satisfy the increasing demand for internet and mobile banking services.

Subject to regulatory approval, the Bank intends to further expand its network in the PRC, particularly in Guangdong Province, and to acquire more quality customers. The Bank also plans to develop its corporate banking and inter-banking businesses by focusing on companies with cross-border operations and cross-border banking needs, and to grow its wealth management business for personal banking targeting mainly high net worth individuals. To achieve its growth plans in the PRC at a similar pace as its Hong Kong business, the Bank is recruiting more high-quality banking professionals to build up its talent pool, upgrading its core

banking information technology systems to enhance its internet platform and infrastructure to support future growth, and actively seizing state-owned enterprise business through referrals from Yue Xiu Enterprises.

Looking ahead, the Bank will enhance its banking services for its customers and continue to build its business network in the PRC by utilising its superior business management, corporate governance and risk management, the extensive resources provided by Yue Xiu Enterprises and the beneficial policies between Hong Kong and the PRC.

7. EFFECT OF THE RIGHTS ISSUE ON SHAREHOLDINGS IN THE BANK

Set out below is the shareholding structure of the Bank as at the date of this announcement and immediately after completion of the Rights Issue assuming there is no issue of any Shares (other than the Rights Shares) on or before completion of the Rights Issue and assuming there is no change in the shareholding structure of the Bank from the date of this announcement to immediately before completion of the Rights Issue.

Shareholders	Immediately after completion of the Rights Issue					
	As at the date of this announcement		Assuming all Rights Shares are fully subscribed for by Qualifying Shareholders		Assuming no Qualifying Shareholders other than Yuexiu Financial Holdings subscribe for Rights Shares	
	<i>No. of Shares</i>	<i>% of issued Shares</i>	<i>No. of Shares</i>	<i>% of issued Shares</i>	<i>No. of Shares</i>	<i>% of issued Shares</i>
Yuexiu Financial Holdings	326,250,000	75.0%	489,375,000	75.0%	489,375,000	75.0%
Joint Underwriters	—	—	—	—	54,375,000	8.3%
Other Shareholders (being public Shareholders)	108,750,000	25.0%	163,125,000	25.0%	108,750,000	16.7%
Total	<u>435,000,000</u>	<u>100.0%</u>	<u>652,500,000</u>	<u>100.0%</u>	<u>652,500,000</u>	<u>100.0%</u>

Note: Certain percentage figures included in the table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

8. EQUITY FUND RAISING BY THE BANK IN THE PAST 12 MONTHS

Save for the Rights Issue, the Bank has not raised any funds by an issue of equity securities in the 12 months preceding the date of this announcement.

9. SHAREHOLDERS' APPROVAL IS NOT REQUIRED

As the Rights Issue will not increase the issued capital or the market capitalisation of the Bank by more than 50%, the Rights Issue is not subject to the approval of the Shareholders in general meeting.

10. TAXATION

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the Rights Shares and, regarding the Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

11. GENERAL

The Prospectus containing further information in relation to the Rights Issue and financial and other information relating to the Group is expected to be despatched by the Bank, together with the PALs and EAFs, to Qualifying Shareholders on or before Tuesday, 1 September 2015. A copy of the Prospectus will also be made available on the websites of the Bank (www.chbank.com) and the Stock Exchange (www.hkexnews.hk). To the extent reasonably practicable and subject to the advice of legal advisers in the relevant jurisdictions in respect of applicable local laws and regulations, the Bank will send copies of the Prospectus to Non-Qualifying Shareholders for their information only but will not send PALs or EAFs to them.

12. TRADING HALT AND RESUMPTION OF TRADING

At the request of the Bank, trading in the Shares (Stock Code: 01111) and debt securities (Stock Codes: 04327 and 05804) of the Bank on the Stock Exchange was halted with effect from 9:00 a.m. on Friday, 14 August 2015 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares (Stock Code: 01111) and debt securities (Stock Codes: 04327 and 05804) of the Bank from 9:00 a.m. on Tuesday, 18 August 2015.

13. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acceptance Date”	Wednesday, 16 September 2015, or such other date as the Joint Underwriters may agree in writing with the Bank as the last date for acceptance of and payment for the Rights Shares
“Bank”	Chong Hing Bank Limited, a company incorporated in Hong Kong, the Shares (Stock Code: 01111) and debt securities (Stock Codes: 04327 and 05804) of which are listed on the Stock Exchange

“BOCI”	BOCI Asia Limited (中銀國際亞洲有限公司), a corporation licensed under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Business Day”	any day (other than a Saturday and Sunday) on which licensed banks are open for normal banking business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), as amended from time to time
“connected person”	has the meaning ascribed thereto under the Listing Rules
“DBS”	DBS Asia Capital Limited (星展亞洲融資有限公司), a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
“Director(s)”	the director(s) of the Bank
“EAF(s)”	the excess application form(s) to be issued to the Qualifying Shareholders (other than the PRC Stock Connect Investors) in respect of applications for excess Rights Shares in connection with the Rights Issue
“Excluded Jurisdiction”	any jurisdiction outside Hong Kong in respect of which the Directors determine, in accordance with Rule 13.36(2)(a) of the Listing Rules, that it is necessary or expedient not to offer Rights Shares to Shareholders in such jurisdiction on account either of the legal restrictions under the laws of that jurisdiction or the requirements of a relevant regulatory body or stock exchange in that jurisdiction
“Group”	the Bank and its subsidiaries
“Guangzhou Yue Xiu Holdings”	Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團有限公司), a limited liability company incorporated in the PRC which is beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Irrevocable Undertaking”	the irrevocable undertaking dated 17 August 2015 given by Yue Xiu Enterprises and Yuexiu Financial Holdings in favour of the Bank and the Joint Underwriters to (in the case of Yuexiu Financial Holdings) subscribe or (in the case of Yue Xiu Enterprises) procure Yuexiu Financial Holdings to subscribe for the 163,125,000 Rights Shares to be provisionally allotted to Yuexiu Financial Holdings
“Joint Global Coordinators” or “Joint Underwriters”	BOCI, DBS and Nomura
“Last Trading Day”	Thursday, 13 August 2015, being the last full trading day of the Shares on the Stock Exchange immediately prior to the publication of this announcement
“Latest Time for Termination”	5:00 p.m. on the fourth Business Day following the Acceptance Date, which is expected to be on Tuesday, 22 September 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nomura”	Nomura International (Hong Kong) Limited (野村國際(香港)有限公司), a corporation licensed under the SFO to conduct 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 as defined under the SFO
“Non-Qualifying Shareholder(s)”	those Shareholder(s) whose registered address(es) as shown on the register of members of the Bank at 5:00 p.m. on the Record Date is/are in any of the Excluded Jurisdictions, and any Shareholder(s) and beneficial owner(s) of Shares (other than the PRC Stock Connect Investors) who is/are otherwise known to the Bank to be resident in any of the Excluded Jurisdictions
“Overseas Shareholder(s)”	those Shareholder(s) whose name(s) appear on the register of members of the Bank at 5:00 p.m. on the Record Date and whose address(es) as shown on such register is/are in a place(s) outside Hong Kong, and any Shareholder(s) and beneficial owner(s) of Shares at that time who is/are otherwise known to the Bank to be resident in a place(s) outside Hong Kong

“PAL(s)”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in respect of their assured entitlements in connection with the Rights Issue
“PRC”	the People’s Republic of China, which for the purpose of this announcement does not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Stock Connect Investors”	the PRC southbound trading investors through Shanghai-Hong Kong Stock Connect who hold the Shares through China Securities Depository and Clearing Corporation Limited as nominee
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus”	the prospectus to be issued by the Bank in connection with the Rights Issue
“Qualifying Shareholder(s)”	Shareholder(s), other than the Non-Qualifying Shareholder(s), whose name(s) appear on the register of members of the Bank at 5:00 p.m. on the Record Date
“Record Date”	Monday, 31 August 2015, or such other date as the Joint Underwriters may agree in writing with the Bank as the date by reference to which entitlements under the Rights Issue will be determined
“Rights Issue”	the proposed offer by way of rights of the Rights Shares to Qualifying Shareholders on the terms set out in this announcement and in the Prospectus Documents
“Rights Share(s)”	the new Share(s) proposed to be allotted and issued under the Rights Issue
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) in the capital of the Bank
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$17.05 per Rights Share pursuant to the Rights Issue

“subsidiary”	has the meaning ascribed to it under the Companies Ordinance
“Underwriting Agreement”	the underwriting agreement dated 17 August 2015 entered into between Bank and the Joint Underwriters in relation to the underwriting of the Underwritten Rights Shares and certain other arrangements in respect of the Rights Issue
“Underwritten Rights Share”	all the Rights Shares other than the 163,125,000 Rights Shares to be subscribed for by Yuexiu Financial Holdings pursuant to the Irrevocable Undertaking
“U.S.” or “United States”	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended
“Yue Xiu Enterprises”	Yue Xiu Enterprises (Holdings) Limited (越秀企業(集團)有限公司), a company incorporated in Hong Kong which is wholly-owned by Guangzhou Yue Xiu Holdings
“Yue Xiu Group”	Guangzhou Yue Xiu Holdings and its subsidiaries from time to time (excluding the Group)
“Yuexiu Financial Holdings”	Yuexiu Financial Holdings Limited, a limited liability company incorporated in Hong Kong and the controlling shareholder of the Bank
“%”	per cent.

* for identification purpose only

By Order of the Board
Chong Hing Bank Limited
Zhang Zhaoxing
Chairman

Hong Kong, 17 August 2015

As of the date of this announcement:

- *the three Executive Directors of the Bank are Mrs. Leung Ko May Yee Margaret (Deputy Chairman and Managing Director), Mr. Lau Wai Man (Chief Executive Officer) and Mr. Liu Tit Shing Don (Deputy Chief Executive Officer);*
- *the five Non-executive Directors are Mr. Zhang Zhaoxing (Chairman), Mr. Zhu Chunxiu, Mr. Wang Shuhui, Mr. Li Feng and Mr. Chow Cheuk Yu Alfred; and*
- *the five Independent Non-executive Directors are Mr. Chiranakhorn Wanchai, Mr. Cheng Yuk Wo, Mr. Ma Chiu Cheung Andrew, Mr. Lee Ka Lun and Mr. Yu Lup Fat Joseph.*