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*(incorporated in Hong Kong with limited liability)
(Stock Code: 01111)*

EXCHANGE OFFER BY CHONG HING BANK LIMITED (THE "ISSUER") TO HOLDERS OF ITS US\$225,000,000 6.000% SUBORDINATED NOTES DUE 2020 (STOCK CODE: 04327) (ISIN: XS0556302163) (THE "EXISTING NOTES") TO OFFER TO EXCHANGE THEIR EXISTING NOTES FOR NEW U.S. DOLLAR DENOMINATED TIER 2 SUBORDINATED NOTES DUE 2027 TO BE ISSUED BY THE ISSUER (THE "NEW EXCHANGE NOTES") (THE "EXCHANGE OFFER")

The board of directors (the "**Board**") of the Issuer wishes to announce that the Issuer has today commenced an Exchange Offer to the holders of the Existing Notes (the "**Holders**") to offer to exchange their Existing Notes for the New Exchange Notes.

The Issuer has separately announced today a series of investor meetings in connection with a proposed offering of new U.S. dollar denominated Tier 2 Subordinated Notes due 2027 (the "**New Money Notes**"). The New Exchange Notes (if any) to be issued in exchange for Existing Notes pursuant to the Exchange Offer will be in addition to any New Money Notes to be issued on the Settlement Date (as defined below). The New Exchange Notes (if any) will be offered on the same terms and will form a single series, and be immediately fungible, with any New Money Notes to be issued.

Full terms and conditions of the Exchange Offer are set out in the exchange offer memorandum dated 12 July 2017 (the "**Exchange Offer Memorandum**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as given to them in the Exchange Offer Memorandum. All documentation relating to the Exchange Offer and any updates will be available on the Exchange Offer website www.lucid-is.com/chbank, which is subject to certain offer and distribution restrictions.

The table below summarises certain terms of the Exchange Offer and is incomplete, omits important information and is qualified by and is not a substitute for careful review by the Holders and their advisers of the Exchange Offer Memorandum.

Existing Notes

<u>Notes</u>	<u>ISIN</u>	<u>Outstanding Principal Amount</u>	<u>Existing Notes U.S. Treasury Rate</u>	<u>Existing Notes Exchange Spread</u>	<u>Existing Notes Exchange Price</u>	<u>Maximum Acceptance Amount</u>
US\$225,000,000 6.000% Subordinated Notes due 2020	XS0556302163	US\$225,000,000 ¹	UST 1.500% due June 2020 (ISIN: US912828XU94)	+ 150 bps	To be determined at the Pricing Time ²	Such aggregate principal amount of Existing Notes as will result in the New Exchange Notes Amount (of New Exchange Notes) being issued ³

¹ Outstanding principal amount of the Existing Notes as at the date of the Exchange Offer Memorandum.

² The Existing Notes Exchange Price will be determined at the Pricing Time in the manner described in the Exchange Offer Memorandum. For illustrative purposes only and based on the Existing Notes U.S. Treasury Rate as of the date of the Exchange Offer Memorandum and the Existing Notes Exchange Spread, the Existing Notes Exchange Price is 109.09%.

³ The New Exchange Notes Amount is the aggregate principal amount of New Exchange Notes to be issued by the Issuer, which, when aggregated with the aggregate principal amount of New Money Notes to be issued, shall be no greater than US\$400,000,000. Each of the Maximum Acceptance Amount and the New Exchange Notes Amount will be determined at the Pricing Time and announced as soon as reasonably practicable thereafter.

New Exchange Notes

<u>New Exchange Notes</u>	<u>New Exchange Notes Issue Price</u>	<u>New Exchange Notes U.S. Treasury Rate</u>	<u>New Exchange Notes Spread</u>	<u>New Exchange Notes Coupon</u>	<u>New Exchange Notes Maturity Date</u>
New U.S. Dollar Denominated Tier 2 Subordinated Notes due 2027	100.00 per cent	UST 1.750% due June 2022 (ISIN: US912828XW50)	To be determined at the Pricing Time	To be determined at the Pricing Time	July 2027

Rationale for the Exchange Offer

As a significant part of the Existing Notes is no longer recognised as Tier 2 capital, and further de-recognition will continue over the remaining life of the Existing Notes as a result of the Basel III transitional arrangements, the Issuer proposes to issue the New Exchange Notes and to invite holders of Existing Notes to exchange their securities for the New Exchange Notes under the Exchange Offer.

The New Exchange Notes are due to qualify as Tier 2 capital in accordance with the Banking (Capital) Rules (Cap. 155L) as amended by the Banking (Capital) (Amendment) Rules 2015 (together, the "**Capital Rules**") and are intended to support the Issuer's capital position by replacing legacy Tier 2 capital with an increased principal amount of better quality Basel III-compliant Tier 2 capital for the purposes of the Capital Rules. The replacement of the Existing Notes is due to be effected on conditions that are sustainable for the income capacity of the Issuer. Furthermore, the issuance is intended to improve the Issuer's total capital adequacy ratio.

Holders are advised to read carefully the Exchange Offer Memorandum for the full details of and information on the procedures for participating in the Exchange Offer. Any questions or requests for assistance in connection with the delivery of Exchange Instructions or requests for additional copies of the Exchange Offer Memorandum or related documents, which may be obtained free of charge, may be directed to Lucid Issuer Services Limited (the "Exchange Agent") at the contact details provided at the end of this announcement.

COMMENCEMENT AND EXPIRY OF THE EXCHANGE OFFER

The Exchange Offer will commence on 12 July 2017 and will expire at 5:00 p.m. (Hong Kong time) on 21 July 2017, unless extended, re-opened or terminated as provided in the Exchange Offer Memorandum (the "**Exchange Offer Deadline**"). The deadline set by any intermediary or clearing system will be earlier than the Exchange Offer Deadline. Exchange Instructions are irrevocable once submitted except in the limited circumstances described in the Exchange Offer Memorandum.

DETAILS OF EXCHANGE OFFER

The Issuer is inviting the Holders (subject to the restrictions set out in the Exchange Offer Memorandum) to offer to exchange their Existing Notes for the New Exchange Notes to be issued by the Issuer in accordance with the terms and conditions set out in the Exchange Offer Memorandum. The terms and conditions of the New Exchange Notes will be substantially in the form set out in the schedule of additional information included in the annex to the Exchange Offer Memorandum. In order to participate in the Exchange Offer, a Holder must validly offer to exchange a principal amount of Existing Notes (including after any *pro rata* scaling as described in the Exchange Offer Memorandum) (the "**Minimum Submission Amount**") sufficient for such Holder to be eligible to receive, in exchange for such Existing Notes pursuant to the Exchange Offer, a principal amount of New Exchange Notes of at least US\$200,000. Each Holder whose Existing Notes are accepted for exchange will receive on the settlement of the Exchange Offer, which is expected to take place on or around 26 July 2017 (the "**Settlement Date**"), (i) an aggregate principal amount of New Exchange Notes (rounded down to the nearest US\$1,000) equal to the product of (a) the aggregate principal amount of Existing Notes validly offered and accepted for exchange by the Issuer and (b) the Exchange Ratio; (ii) the Accrued Interest Payment; and (iii) the Cash Rounding Amount (if any).

The Issuer is not under any obligation to accept, and shall have no liability to any person for any non-acceptance of, any offer of Existing Notes for exchange pursuant to the Exchange Offer. Offers of Existing Notes for exchange may be rejected in the sole discretion of the Issuer for any reason and the Issuer is not under any obligation to Holders to furnish any reason or justification for refusing to accept an offer of Existing Notes for exchange.

The Exchange Offer is conditional, amongst other conditions, on the pricing and settlement of the New Money Notes, on terms and conditions satisfactory to the Issuer in its sole and absolute discretion (the "**New Money Notes Condition**"). There can be no assurance that the Issuer will be able to complete the issue of the New Money Notes and satisfy the New Money Notes Condition.

As described in the Exchange Offer Memorandum, if the Issuer accepts any Existing Notes pursuant to the Exchange Offer and the aggregate principal amount of Existing Notes validly offered for exchange is greater than the Maximum Acceptance Amount, the Issuer intends to accept such Existing Notes on a *pro rata* basis such that the aggregate principal amount of such Existing Notes accepted pursuant to the Exchange Offer is no greater than the Maximum Acceptance Amount. Holders should note that, in the event of any such *pro ration*, some of their Existing Notes validly tendered pursuant to the Exchange Offer will not be accepted for exchange or purchase by the Issuer.

PRICING

The Exchange Ratio will be calculated as the ratio (rounded to six decimal places (with 0.0000005 rounded upwards)) resulting from the division of the Existing Notes Exchange Price by the New Exchange Notes Issue Price.

The Existing Notes Exchange Price will be determined in accordance with market convention, and is intended to reflect a yield to maturity of the Existing Notes on the Settlement Date equal to the Existing Notes Exchange Yield (being the sum of (a) the Existing Notes Exchange Spread and (b) the Existing Notes U.S. Treasury Rate).

The New Exchange Notes Coupon will be calculated in accordance with market convention by reference to the New Exchange Notes Yield, which is the sum of (a) the New Exchange Notes Spread and (b) the New Exchange Notes U.S. Treasury Rate.

The Maximum Acceptance Amount, New Exchange Notes Amount, Exchange Ratio, Existing Notes Exchange Price, Existing Notes Exchange Yield, Existing Notes U.S. Treasury Rate, New Exchange Notes Coupon, New Exchange Notes Yield, New Exchange Notes Spread and New Exchange Notes U.S. Treasury Rate and the aggregate principal amount of New Money Notes (if any) will be determined promptly following the completion of the New Money Notes Investor Meetings and prior to the Exchange Offer Deadline and will be announced as soon as reasonably practicable thereafter.

DEALER MANAGER AND EXCHANGE AGENT

The Hongkong and Shanghai Banking Corporation Limited has been appointed as the dealer manager for the Exchange Offer. Lucid Issuer Services Limited has been appointed as the exchange agent for the Exchange Offer. Further details on the Exchange Offer can be found in the Exchange Offer Memorandum.

ANNOUNCEMENTS

The Issuer will announce on the website of The Stock Exchange of Hong Kong Limited:

- (a) any amendment, termination, extension or re-opening of the Exchange Offer;
- (b) the pricing results of the Exchange Offer;
- (c) the final results of the Exchange Offer; and
- (d) the settlement of the Exchange Offer.

The Issuer may, in its sole discretion, extend, re-open, amend, waive any condition of or terminate the Exchange Offer at any time (subject to applicable law and as provided in the Exchange Offer Memorandum).

Holder who do not participate in the Exchange Offer, or whose Existing Notes are not accepted for exchange by the Issuer, will continue to hold their Existing Notes subject to the Existing Notes Conditions.

GENERAL

This announcement must be read in conjunction with the Exchange Offer Memorandum. This announcement and the Exchange Offer Memorandum contain important information which must be read carefully before any decision is made with respect to the Exchange Offer. If any Holder is in any doubt as to the action it should take, it is recommended to seek its own legal, tax, accounting and financial advice, including as to any tax consequences, immediately from its stockbroker, bank manager, attorney, accountant or other independent financial or legal adviser. Any individual or company whose Existing Notes are held on its behalf by a bank, securities broker or intermediary must contact such intermediary if it wishes to participate in the Exchange Offer. None of the Issuer, the Dealer Manager, the Exchange Agent and any person who controls, or is a director, officer, employee or agent of such persons, or any affiliate of such persons, makes any recommendation as to whether Holders should participate in the Exchange Offer.

Holders are advised to check with the bank, securities broker or other intermediary through which they hold the Existing Notes whether such intermediary would require to receive instructions to participate in, or (in the limited circumstances in which revocation is permitted) revoke their instruction to participate in, the Exchange Offer before the deadlines specified above. The deadlines specified above are also subject to earlier deadlines or other timings that may be set by any intermediary.

Holders are advised to read carefully the Exchange Offer Memorandum for full details of and information on the procedures for participating in the Exchange Offer.

Questions and requests for further information and assistance in relation to the Exchange Offer should be directed to the Dealer Manager:

The Hongkong and Shanghai Banking Corporation Limited

Level 17, HSBC Main Building
1 Queen's Road Central
Hong Kong

For information by telephone: +852 2822 4100/+44 20 7992 6237

Attention: Liability Management Group

Email: liability.management@hsbcib.com

Questions and requests for further information and assistance in relation to the Exchange Offer and the submission of Exchange Instructions should be directed to the Exchange Agent:

Lucid Issuer Services Limited

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom

For information by telephone: +44 20 7704 0880

Attention: Alexander Yangaev / Thomas Choquet

Email: chbank@lucid-is.com

By Order of the Board
CHONG HING BANK LIMITED
Lai Wing Nga
Company Secretary

Hong Kong, 12 July 2017

As at the date of this announcement, the Board of the Issuer comprises:

- *Executive Directors*
Mrs Leung Ko May Yee Margaret (Deputy Chairman and Managing Director), Mr Zong Jianxin (Deputy Managing Director and Chief Executive) and Mr Lau Wai Man (Deputy Managing Director);
- *Non-executive Directors*
Mr Zhang Zhaoxing (Chairman), Mr Zhu Chunxiu, Mr Wang Shuhui, Mr Li Feng and Mr Chow Cheuk Yu Alfred; and
- *Independent Non-executive Directors*
Mr Cheng Yuk Wo, Mr Ma Chiu Cheung Andrew, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph.