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Continuing Connected Transactions Tenancy Agreement Property Management Agreement

The Board hereby announces that the Bank entered into the Tenancy Agreement with the Landlord on 23 June 2014 for the lease of the Property with effect from 1 July 2014 for a term of three years. The Bank also entered into the Property Management Agreement with the Property Manager on 23 June 2014 for the provision of management services in relation to the Property.

Based on the estimation by the Board, the annual caps under the Tenancy Agreement and the Property Management Agreement in aggregate for the four years ending 31 December 2017 are RMB2,166,000 (equivalent to approximately HK\$2,707,500), RMB3,256,000 (equivalent to approximately HK\$4,070,000), RMB3,371,000 (equivalent to approximately HK\$4,213,750) and RMB1,746,000 (equivalent to approximately HK\$2,182,500), respectively.

Each of the Tenancy Agreement and the Property Management Agreement constitutes a continuing connected transaction of the Bank. As the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the Tenancy Agreement and the Property Management Agreement in aggregate will be more than 0.1% but less than 5% and, each of the Tenancy Agreement and the Property Management Agreement is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A. The Tenancy Agreement and the Property Management Agreement

1. Background

The Board is pleased to announce that the Bank entered into the Tenancy Agreement with the Landlord on 23 June 2014 for the lease of the Property with effect from 1 July 2014 for a term of three years. The Property, situated at Guangzhou in the People's Republic of China, has a total gross floor area of 631.28 square metres.

2. Rents

Set out below are the monthly rents payable by the Bank under the Tenancy Agreement during the term of the Tenancy Agreement:

<u>Period</u>	<u>Monthly rent</u>
1 July 2014 – 30 June 2016	RMB233,068 (equivalent to approximately HK\$291,335)
1 July 2016 – 30 June 2017	RMB244,722 (equivalent to approximately HK\$305,903)

The rents are exclusive of utilities, maintenance charges and other charges and outgoings.

Save that the rent for the first four months is payable within seven days upon the signing of the Tenancy Agreement, the rents are payable quarterly on the fifth day of the second month of each quarter.

The Bank is entitled to a rent concession in the total amount of RMB699,204 (equivalent to approximately HK\$874,005) for the period from 1 July 2014 to 31 October 2014. If the Tenancy Agreement is terminated by the Bank before the expiry of the tenancy, the Bank is required to pay back the same amount to the Landlord.

Caution money equivalent to two months' rent for the third year, being RMB489,444 (equivalent to approximately HK\$611,805), is payable by the Bank to the Landlord under the Tenancy Agreement.

3. Property management

The Bank also entered into the Property Management Agreement with the Property Manager on 23 June 2014 for the provision of management services in relation to the Property. Under the Property Management Agreement, a management fee of RMB34,720 (equivalent to approximately HK\$43,400) per month is payable by the Bank to the Property Manager during the term of the Tenancy Agreement.

Save that the management fee for the first month is payable on the date of delivery of possession of the Property, the management fees are payable monthly on the fifth day of each month.

Caution money equivalent to two months' management fee, being RMB69,440 (equivalent to approximately HK\$86,800), is payable by the Bank to the Property Manager under the Property Management Agreement.

If the cost of the provision of the property management service changes as a result of factors including changes in price levels, the Property Manager is required to agree with the Bank to effect any reasonable revision of the management fee.

4. Connected Persons

Yue Xiu Enterprise (Holdings) Limited, which indirectly holds 75% of the issued share capital of the Bank, is a substantial shareholder of the Bank. Yuexiu Property Company Limited, a subsidiary of Yue Xiu Enterprise (Holdings) Limited, holds 35.69% of the units of Yuexiu Real Estate Investment Trust, which in turn holds 98.99% of the equity interests of the Landlord. Accordingly, the Landlord is an associate of Yue Xiu Enterprise (Holdings) Limited. The Landlord, being an associate of a substantial shareholder of the Bank, is a connected person of the Bank.

The Property Manager, being an indirect subsidiary of Yue Xiu Enterprise (Holdings) Limited, is an associate of Yue Xiu Enterprise (Holdings) Limited. The Property Manager, being an

associate of a substantial shareholder of the Bank, is a connected person of the Bank.

5. Implications under the Listing Rules

Each of the Tenancy Agreement and the Property Management Agreement constitutes a continuing connected transaction of the Bank under Chapter 14A of the Listing Rules.

Based on the estimation by the Board, the annual caps under the Tenancy Agreement and the Property Management Agreement in aggregate for the four years ending 31 December 2017 are RMB2,166,000 (equivalent to approximately HK\$2,707,500), RMB3,256,000 (equivalent to approximately HK\$4,070,000), RMB3,371,000 (equivalent to approximately HK\$4,213,750) and RMB1,746,000 (equivalent to approximately HK\$2,182,500), respectively.

The Board has taken into account the amounts of the caution money, the rents payable by the Bank under the Tenancy Agreement, the management fees payable by the Bank under the Property Management Agreement and the expected effect of inflation on the management fee in estimating the above annual caps.

As the highest of the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the annual caps for the Tenancy Agreement and the Property Management Agreement in aggregate will be more than 0.1% but less than 5%, each of the Tenancy Agreement and the Property Management Agreement is subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has material interests in the Tenancy Agreement or the Property Management Agreement.

6. Reasons for entering into the transaction

The Property will be used by the Bank as its sub-branch and regulatory approvals have been obtained in principle for the sub-branch to be established. The rent payable under the Tenancy Agreement and the management fee payable under the Property Management Agreement are determined after arm's length negotiations with reference to prevailing market rent and management fee. The Board (including its independent non-executive Directors) considers that each of the Tenancy Agreement and the Property Management Agreement (including the annual caps) are on normal commercial terms which are fair and reasonable and in the interests of the Group and the Bank's shareholders as a whole.

B. GENERAL

The Group is principally engaged in the provision of banking and related financial services. The Landlord is principally engaged in property management and property leasing. The Property Manager is principally engaged in property management.

C. DEFINITIONS

"Bank" Chong Hing Bank Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange

"Board"	the board of Directors of the Bank
"connected person"	has the meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Bank
"Group"	the Bank and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Landlord"	Guangzhou Yue Xiu City Construction International Finance Centre Co., Ltd. (廣州越秀城建國際金融中心有限公司)
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Property"	Unit 103, 1/F Podium, Guangzhou International Finance Centre, House 160, 5 Zhujiang West Road, Tianhe District, Guangzhou, the People's Republic of China (中國廣州市天河區珠江西路 5 號 160 房廣州國際金融中心裙樓第一層 103 單元) and Unit 203, 2/F Podium, Guangzhou International Finance Centre, House 260, 5 Zhujiang West Road, Tianhe District, Guangzhou, the People's Republic of China (中國廣州市天河區珠江西路 5 號 260 房廣州國際金融中心裙樓第二層 203 單元)
"Property Management Agreement"	the property management agreement entered into between the Bank and the Property Manager on 23 June 2014 in respect of the Property
"Property Manager"	Guangzhou Yue Xiu City Construction Jones Lang LaSalle Property Services Co., Ltd. (廣州越秀城建仲量聯行物業服務有限公司)
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning as ascribed to it under the Listing Rules
"Tenancy Agreement"	the tenancy agreement entered into between the Bank and the Landlord on 23 June 2014 in respect of the Property

For illustrative purposes, the exchange rate of RMB1.00 = HK\$1.25 is adopted in this announcement.

By Order of the Board
Michael K W Yeung
Company Secretary

23 June 2014

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 Don Tit Shing Liu (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 Alfred Cheuk Yu Chow; and*
- *the four Independent Non-executive Directors are Mr Wanchai Chiranakhorn, Mr Cheng Yuk Wo, Mr Andrew Chiu Cheung Ma and Mr Lee Ka Lun.*