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## CONTINUING CONNECTED TRANSACTIONS

### FOREIGN EXCHANGE TRANSACTIONS FRAMEWORK AGREEMENT

The Board hereby announces that on 29 November 2016, the Bank entered into the Framework Agreement with Yuexiu Property which governs the Transactions to be entered into between the CHB Group and the Yuexiu Property Group in the Bank's ordinary and usual course of business.

Yuexiu Property is owned as to 49.67% by, and is a non-wholly owned subsidiary of Yue Xiu Enterprises (Holdings) Limited, which is a wholly-owned subsidiary of Guangzhou Yue Xiu Holdings Limited\* (廣州越秀集團有限公司), the ultimate controlling shareholder of the Bank. Accordingly, Yuexiu Property is a connected person of the Bank under Chapter 14A of the Listing Rules and the Transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Bank under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Annual Caps exceed 0.1% but are below 5%, the Transactions contemplated under the Framework Agreement are subject to the reporting, annual review and disclosure requirements under Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 1. BACKGROUND

The Board hereby announces that on 29 November 2016, the Bank entered into the Framework Agreement with Yuexiu Property which governs the Transactions to be entered into between the CHB Group and the Yuexiu Property Group in the Bank's ordinary and usual course of business.

## 2. THE FRAMEWORK AGREEMENT

The principal terms and conditions of the Framework Agreement are set out as follows:

### Date

29 November 2016

### Parties

- (1) the Bank
- (2) Yuexiu Property

## **Subject matter**

The Transactions covered by the Framework Agreement are spot and forward contracts to be entered into on normal commercial terms and in the ordinary course of business of the foreign exchange market.

During the term of the Framework Agreement, any member of the Yuexiu Property Group and the CHB Group may from time to time enter into any Transactions upon, and subject to, the terms and conditions in compliance with those of the Framework Agreement as may be agreed between the relevant parties.

The particular scope of the Transactions, terms and fees of services and other terms shall be in conformity with the terms of the Framework Agreement, provided that the terms shall be on normal commercial terms or better (or on an arm's length basis or on terms no less favourable to the CHB Group than terms available to or from Independent Third Parties).

## **Pricing**

The Transactions between the CHB Group and the Yuexiu Property Group will adopt the prevailing market prices or rates normally applicable to similar transactions conducted with Independent Third Parties.

Specifically, the price or rate adopted in the trading of foreign exchange and trading in currency markets and settlement business shall be determined based on the general practice and methodology of the industry, the market performance of the traded products, the publicly available market price with reference to external financial information service providers (e.g. Bloomberg, Thomson Reuters etc.), and / or the management requirements for various risks by the CHB Group.

As part of the internal control procedures for the approval and review of the Transactions, duties are segregated between different business units of the Bank. While dedicated team(s) of the Bank will conclude the Transactions with customers, traders of the Bank will decide whether it is necessary to enter into any offsetting transaction with interbank counterparties. The decision of the Bank's traders will depend on factors such as market conditions, transaction size and internal risk limits, in accordance with various codes of conduct and all other applicable rules and guidelines. Such codes of conduct (e.g. the Treasury Market Association's Code of Conduct and Practice) set out market practices relating to matters such as price/ rate quotation and also highlight market conventions for foreign exchange and over-the-counter derivatives on dealing procedures, value date and maturity date, fixing and settlement method. The internal control function of the Bank will monitor the conduct of the Transactions to ensure compliance with the terms of the Framework Agreement and external regulatory compliance.

Accordingly, the Directors consider that the methods and procedures adopted in determining the price for the Transactions can ensure that the Transactions will be conducted on normal commercial terms and in the interests of the Bank and its shareholders as a whole.

## **Term**

The term of the Framework Agreement shall commence on 29 November 2016 and end on 31 December 2018 (both dates inclusive). The parties to the Framework Agreement may, subject to compliance with the Listing Rules, renew the Framework Agreement by agreement in writing.

### 3. ANNUAL CAPS

The historical aggregate absolute amount of fair value at inception of the foreign exchange transactions between the CHB Group and the Yuexiu Property Group for the ten-month period ended 31 October 2016 was HK\$6,216,713. The CHB Group did not engage in any foreign exchange transactions with the Yuexiu Property Group in 2015.

The Annual Caps for each of the following financial years are set out as follows:

<b>Financial Year</b>	<b>Aggregate absolute amount of fair value at inception of the Transactions recorded as assets/ liabilities (HK\$'000)</b>
1 January 2016 to 31 December 2016	13,000
1 January 2017 to 31 December 2017	17,000
1 January 2018 to 31 December 2018	20,000

In arriving at the above Annual Caps, the Directors have taken into account various factors, including the historical amounts of the Transactions between the CHB Group and the Yuexiu Property Group and other factors such as the historical and forecast fluctuation of Renminbi and the expected increase in amount and volume of the Transactions with the Yuexiu Property Group.

### 4. REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Bank expects an increasing demand by the Yuexiu Property Group for foreign exchange services provided by the Bank. The Board (other than the Directors who abstained from voting on the resolutions approving the Framework Agreement) consider it appropriate to enter into the Framework Agreement to regulate the Transactions to be entered into between the CHB Group and the Yuexiu Property Group from time to time.

The Directors (including the independent non-executive Directors, but excluding the Directors who abstained from voting on the resolutions approving the Framework Agreement) consider that the terms of the Framework Agreement (including the Annual Caps) were agreed between the parties after arm's length negotiations and are fair and reasonable and the Transactions are on normal commercial terms, in the ordinary and usual course of business of the CHB Group and in the interests of the Bank and its shareholders as a whole.

### 5. LISTING RULES IMPLICATIONS

Yuexiu Property is owned as to 49.67% by, and is a non-wholly owned subsidiary of Yue Xiu Enterprises (Holdings) Limited, which is a wholly-owned subsidiary of Guangzhou Yue Xiu Holdings Limited\* (廣州越秀集團有限公司), the ultimate controlling shareholder of the Bank. Accordingly, Yuexiu Property is a connected person of the Bank under Chapter 14A of the Listing Rules and the Transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Bank under Chapter 14A of the Listing Rules.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Annual Caps exceed 0.1% but are below 5%, the Transactions contemplated under the Framework Agreement are subject to the reporting, annual review and disclosure requirements under Chapter 14A of the Listing Rules but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Messrs. ZHANG Zhaoxing, ZHU Chunxiu, LI Feng, LEE Ka Lun and YU Lup Fat Joseph, being common directors of the Bank and Yuexiu Property, abstained from voting on the resolutions approving the Framework Agreement and the Transactions contemplated thereunder (including the Annual Caps). Save as disclosed above, none of the Directors has any material interest in the Framework Agreement and the Transactions contemplated thereunder (including the Annual Caps) nor were any of them required to abstain from voting on the resolutions passed by the Board in connection therewith.

## 6. GENERAL

The CHB Group is principally engaged in the provision of banking and related financial services.

The Yuexiu Property Group is principally engaged in property development and investment, mainly focusing on properties in Guangzhou and gradually expanding into the Pearl River Delta, Yangtze River Delta, Bohai Rim Economic Zone and Central Region.

## 7. DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

“Annual Caps”	the maximum aggregate absolute amount of fair value at inception of the Transactions recorded as assets / liabilities for each of the financial years set out in section 3 of this announcement
“Bank”	Chong Hing Bank Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange (Stock Code: 01111)
“Board”	the board of Directors of the Bank
“CHB Group”	collectively, the Bank and its subsidiaries
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Bank
“Framework Agreement”	the framework agreement dated 29 November 2016 entered into between the Bank and Yuexiu Property in relation to the Transactions
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	a third party which, together with its beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is a third party independent of the Bank and its connected persons in accordance with the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the foreign exchange transactions covered by the Framework Agreement
“Yuexiu Property”	Yuexiu Property Company Limited (越秀地產股份有限公司), a limited liability company incorporated under the laws of Hong Kong and the shares of which are listed on the Stock Exchange (Stock Code: 00123) and on Singapore Exchange Securities Trading Limited
“Yuexiu Property Group”	Yuexiu Property and its subsidiaries
%	per cent.

By order of the Board  
**Chong Hing Bank Limited**  
**Lai Wing Nga**  
*Company Secretary*

Hong Kong, 29 November 2016

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

- *Executive Directors*  
Mrs Leung Ko May Yee Margaret (Deputy Chairman, Managing Director and Chief Executive),  
Mr Zong Jianxin (Deputy Managing Director) 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 Chiranakhorn Wanchai, Mr Cheng Yuk Wo, Mr Ma Chiu Cheung Andrew, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph.

*\* for identification purpose only*