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## **CONTINUING CONNECTED TRANSACTIONS**

### **RENEWAL OF FOREIGN EXCHANGE AND FINANCIAL MARKETS TRANSACTIONS FRAMEWORK AGREEMENT**

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Reference is made to the announcements of the Bank dated 17 June 2016 and 13 July 2016 in relation to the 2016 Framework Agreement entered into between the Bank and Yuexiu Holdings.

The Board hereby announces that on 17 May 2019, the Bank entered into the 2019 Framework Agreement with Yuexiu Holdings to renew the arrangements under the 2016 Framework Agreement which governs the Transactions to be entered into between the CHB Group and the Yuexiu Holdings Private Group in the Bank's ordinary and usual course of business.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Yuexiu Holdings, which indirectly holds 75% of the issued share capital of the Bank, is a substantial shareholder of the Bank, hence a connected person of the Bank. Accordingly, the Transactions contemplated under the 2019 Framework Agreement constitute continuing connected transactions of the Bank under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profits ratio) as defined under Rule 14.07 of the Listing Rules in respect of the Annual Caps for the 2019 Framework Agreement exceed 0.1% but are below 5%, the Transactions contemplated under the 2019 Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

#### **1. BACKGROUND**

Reference is made to the announcements of the Bank dated 17 June 2016 and 13 July 2016 in relation to the 2016 Framework Agreement entered into between the Bank and Yuexiu Holdings.

The Board hereby announces that on 17 May 2019, the Bank entered into the 2019 Framework Agreement with Yuexiu Holdings to renew the arrangements under the 2016 Framework Agreement which governs the Transactions to be entered into between the CHB Group and the Yuexiu Holdings Private Group in the Bank's ordinary and usual course of business.

## 2. THE 2019 FRAMEWORK AGREEMENT

The principal terms and conditions of the 2019 Framework Agreement are set out as follows.

### **Date**

17 May 2019

### **Parties**

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

### **Subject matter**

The transactions covered by the 2019 Framework Agreement are (collectively, the "Transactions"):

*Foreign Exchange Transactions:* spot and forward contracts to be entered into on normal commercial terms and in the ordinary course of business of the foreign exchange market.

*Financial Markets Transactions:* over-the-counter and on-exchange financial markets transactions, which include swaps, forwards, options and/or any combination thereof on currencies, interest rates, credit risk, fixed income and any other classes of underlying prices, rates, indices or instruments, to be entered into on normal commercial terms and in the ordinary course of business of the respective market.

During the term of the 2019 Framework Agreement, any member of the Yuexiu Holdings Private Group and the CHB Group may from time to time enter into any Transaction upon, and subject to, the terms and conditions in compliance with those of the 2019 Framework Agreement as may be agreed between the relevant parties.

The particular scope of the Transaction(s), terms and fees of services and other terms shall be in conformity with the terms of the 2019 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**

*Foreign Exchange Transactions:* The foreign exchange transactions between the CHB Group and the Yuexiu Holdings Private 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, and/or the management requirements for various risk by the CHB Group.

*Financial Markets Transactions:* The financial markets transactions between the CHB Group and the Yuexiu Holdings Private 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 financial markets transactions shall be determined based on the respective market prevailing prices, market performance of the traded products, the publicly available market price, and/or the management requirements for various risk 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 2019 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 2019 Framework Agreement shall cover the period from 1 January 2019 to 31 December 2021 (both dates inclusive), unless terminated earlier in accordance with the 2019 Framework Agreement.

### **3. HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS**

The historical aggregate absolute amounts of fair value at inception of the Transactions between the CHB Group and the Yuexiu Holdings Private Group for each of the three years ended 31 December 2016, 2017 and 2018 was HK\$5,511,257, HK\$913,453 and HK\$706,698.36, respectively.

The aggregate absolute amount of fair value at inception of the Transactions entered into between the CHB Group and the Yuexiu Holdings Private Group during the period from 1 January 2019 to 16 May 2019 was HK\$1,905,073.65, the applicable percentage ratios (other than the profit ratio) as defined under Rule 14.07 of the Listing Rules in respect of which are less than 0.1%.

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 2019 to 31 December 2019 | 30,000   |
| 1 January 2020 to 31 December 2020 | 30,000   |
| 1 January 2021 to 31 December 2021 | 30,000   |

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 Holdings Private 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 Holdings Private Group.

#### **4. REASONS FOR AND BENEFITS OF THE 2019 FRAMEWORK AGREEMENT**

The Bank expects a demand by the Yuexiu Holdings Private Group for financial markets services provided by the CHB Group. The Board and the board of Yuexiu Holdings (other than the relevant common directors who abstained from voting on the resolutions approving the 2019 Framework Agreement) consider it appropriate to enter into the 2019 Framework Agreement to regulate the Transactions to be entered into between the CHB Group and the Yuexiu Holdings Private Group from time to time.

The Directors (including the independent non-executive Directors, but excluding Mr Zhang Zhaoxing, who has abstained from voting on the resolutions approving the 2019 Framework Agreement) consider that the terms of the 2019 Framework Agreement (including the Annual Caps) were agreed between the parties after arm's length negotiations and are fair and reasonable, and the Transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business of the CHB Group and are in the interests of the Bank and its shareholders as a whole.

#### **5. LISTING RULES IMPLICATIONS**

As at the date of this announcement, Yuexiu Holdings, which indirectly holds 75% of the issued share capital of the Bank, is a substantial shareholder of the Bank, hence a connected person of the Bank. Accordingly, the Transactions contemplated under the 2019 Framework Agreement constitute continuing connected transactions of the Bank under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (other than the profit ratio) 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 2019 Framework Agreement are subject to the reporting, annual review and announcement requirements, but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr Zhang Zhaoxing, being common director of the Bank and Yuexiu Holdings, abstained from voting on the resolutions approving the 2019 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 2019 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.

Yuexiu Holdings is a limited liability company incorporated in the PRC which is beneficially wholly-owned by the Guangzhou Municipal People's Government of the PRC. Yuexiu Holdings, through its various subsidiaries, is principally engaged in various businesses including (among others) financial business, property development, transport infrastructure, construction and others.

## 7. DEFINITIONS

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

|                            |  |
|----------------------------|--|
| “2016 Framework Agreement” | the framework agreement dated 17 June 2016 entered into between the Bank and Yuexiu Holdings in relation to foreign exchange and financial markets transactions to be entered into between the CHB Group and the Yuexiu Holdings Private Group |
| “2019 Framework Agreement” | the framework agreement dated 17 May 2019 entered into between the Bank and Yuexiu Holdings in relation to the Transactions  |
| “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 with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 01111)  |
| “Board”                    | the board of Directors of the Bank   |
| “CHB Group”                | 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  |

|                                 |   |
|---------------------------------|---|
| “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   |
| “PRC”                           | the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Taiwan and the Macao Special Administrative Region of the People’s Republic of China)  |
| “Stock Exchange”                | The Stock Exchange of Hong Kong Limited   |
| “substantial shareholder(s)”    | shall have the meaning ascribed to it under the Listing Rules   |
| “Transaction(s)”                | as defined under the paragraph headed “Subject matter” of this announcement   |
| “Yuexiu Holdings”               | 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited*), which is a limited liability company incorporated in the PRC beneficially wholly-owned by the Guangzhou Municipal People’s Government of the PRC  |
| “Yuexiu Holdings Private Group” | Yuexiu Holdings and its non-listed subsidiaries (excluding, for the avoidance of doubt, YXP, YXP’s subsidiaries, YXT, YXT’s subsidiaries, Yuexiu REIT, Yuexiu REIT’s subsidiaries, the CHB Group and any other company or entity listed on the Stock Exchange or any other stock exchange that becomes a subsidiary of Yuexiu Holdings after the date of the 2019 Framework Agreement)      |
| “Yuexiu REIT”                   | Yuexiu Real Estate Investment Trust (越秀房地產投資信託基金), a Hong Kong collective investment scheme constituted as a unit trust and authorised under Section 104 of the Securities and Futures Ordinance subject to applicable conditions from time to time (whose undivided units are listed on the Stock Exchange, Stock Code: 00405) and the companies controlled by it, as the context requires |

|       |   |
|-------|---|
| “YXP” | 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) |
| “YXT” | Yuexiu Transport Infrastructure Limited (越秀交通基建有限公司), an exempted company incorporated in Bermuda, the shares of which are listed on the Stock Exchange (Stock Code: 01052)                     |
| “%”   | per cent  |

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

Hong Kong, 17 May 2019

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

- *Executive Directors*  
*Mr Zong Jianxin (Deputy Chairman and Chief Executive) and Mr Lau Wai Man (Deputy Chief Executive);*
- *Non-executive Directors*  
*Mr Zhang Zhaoxing (Chairman), Mr Li Feng , Mr Chow Cheuk Yu Alfred and Ms Chen Jing;  
and*
- *Independent non-executive Directors*  
*Mr Cheng Yuk Wo, Mr Ma Chiu Cheung Andrew, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph.*

*\* for identification purpose only*