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## **DISCLOSEABLE TRANSACTION**

### **IN RELATION TO**

### **DISPOSAL OF PROPERTY**

#### **THE AGREEMENT FOR SALE AND PURCHASE**

The Board is pleased to announce that on 26 September 2017, the Bank (as vendor) entered into the Agreement for Sale and Purchase with the Purchaser, pursuant to which the Bank has agreed to sell and the Purchaser has agreed to purchase the Property at the Consideration of HK\$658,000,000.

The Purchaser will, on completion, grant one or more leases to the Bank for leasing the Shops Portion and the Offices Portion of the Property.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the disposal of the Property are more than 5% but all are below 25%, the disposal of the Property constitutes a discloseable transaction of the Bank and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **INTRODUCTION**

On 26 September 2017, the Bank entered into the Agreement for Sale and Purchase with the Purchaser, pursuant to which the Bank has agreed to sell and the Purchaser has agreed to purchase the Property at the Consideration of HK\$658,000,000. Prior to the signing of the Agreement for Sale and Purchase, no provisional agreement for sale and purchase of the Property between the Bank and the Purchaser has been signed.

The Purchaser will, on completion, grant one or more leases to the Bank for leasing the Shops Portion and the Offices Portion of the Property.

A summary of the major terms of the Agreement for Sale and Purchase is set out below:

## THE AGREEMENT FOR SALE AND PURCHASE

### *Date*

26 September 2017

### *Parties*

- (a) Vendor: the Bank
- (b) Purchaser: King Firm Enterprises Limited

### *Property*

The Property, being Fung Shun Commercial Building located at No. 591 Nathan Road and No. 13 Changsha Street, with the gross floor area of approximately 3,089 square meters.

### *Consideration and Payment Terms*

The Consideration for the disposal of the Property is HK\$658,000,000 which shall be paid in cash by the Purchaser to the Bank in the following manner:

- (i) HK\$65,800,000 shall be paid as a deposit and in part payment of the Consideration upon the signing of the Agreement for Sale and Purchase; and
- (ii) HK\$592,200,000 being the balance of the Consideration shall be paid on the Completion Date.

The Consideration was determined after arm's length negotiations between the Bank and the Purchaser on normal commercial terms and with reference to the prevailing property market price in Hong Kong.

### *Completion*

Completion shall take place on or before 15 December 2017 (the "**Completion Date**").

## LEASE BACK ARRANGEMENT

The Purchaser (as lessor) will, on the Completion Date, grant one or more leases to the Bank (as lessee) for leasing (i) the whole of Basement, Ground Floor, 1st Floor, 2nd Floor, 3rd Floor, 4th Floor including the flat roof on 4th Floor and all signboards presently affixed outside the Property (the "**Shops Portion**") and (ii) the whole of the office floors from 5th to 20th Floors including the office lobbies (the "**Offices Portion**") (collectively, the "**Leased Back Portions**"), which are currently used as the branch and offices of the Bank, on the following terms:

	Shops Portion	Offices Portion
Term:	A fixed term of 4 years	A fixed term of 1 year with an option to renew for a further term of 1 year
Monthly Rent: (exclusive of Government rent, rates and management fees)	HK\$920,000, for each of the first, second and third year of the term and HK\$996,500 for the fourth year of the term	HK\$720,000, which shall remain unchanged for the further term of 1 year

Management fees shall be paid by the Bank in accordance with the prevailing practice or in such other manner as may be agreed between the Bank and the Purchaser. The renting of the Leased Back Portions will include the right for the Bank to use all the spotlights and air-conditioning units presently installed at the Leased Back Portions.

The Bank shall be entitled to one month rent free period for the Shops Portion which shall be (i) if the Bank does not exercise the option to renew for the Offices Portion, the 13th month of the term of tenancy for the Shops Portion; or (ii) if the Bank exercises the option to renew for the Offices Portion, the 25th month of the term of tenancy for the Shops Portion.

The rents were determined after arm's length negotiations between the Bank and the Purchaser with reference to the prevailing market rents for comparable premises in the area where the Property is situated.

## **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

As the Property is occupied for self-use by the Bank Group, no rental income was generated to the Bank Group for the years ended 31 December 2016 and 31 December 2015. The Property was valued at HK\$600,000,000 as at 3 August 2017 by C S Surveyors Limited, an independent property valuer appointed by the Bank.

The Bank is expected to record an unaudited estimated gain of approximately HK\$573,565,000, which represents the difference between the Consideration (after deducting relevant estimated expenses of approximately HK\$8,170,000) and the unaudited carrying value of the Property as at 30 June 2017 of approximately HK\$76,265,000.

It is expected that the net proceeds from the disposal of the Property will be used by the Bank for funding the continued growth of the core banking business and the working capital needs.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Directors are of the view that it is a good opportunity for the Bank to dispose of the Property at an attractive return to realise capital gain on a non-core business asset.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreement for Sale and Purchase and the transactions contemplated thereunder (including the lease back arrangement) are on normal commercial terms, fair and reasonable and in the interests of the Bank and the shareholders of the Bank as a whole.

## **INFORMATION OF THE BANK AND THE PURCHASER**

### ***Information of the Bank***

The Bank is incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 01111), and has been a member of Yue Xiu Group since February 2014, with a 75% stake held by Yuexiu Financial Holdings Limited. As of the date of this announcement, the Bank currently operates a network of 40 local branches as well as branches in Guangzhou, Shenzhen, Shantou and Macau, sub-branches in Guangzhou Tianhe, Foshan, Nansha and Hengqin in mainland China and representative offices in Shanghai and San Francisco. It offers a wide range of retail and wholesale financial banking products as well as securities trading, financial management and insurance services.

### ***Information of the Purchaser***

The Purchaser is a special purpose vehicle wholly-owned and controlled by Sunlight REIT. The principal business activity of the Purchaser is property investment.

To the best of the Directors' knowledge, information and belief and after all reasonable enquiries were made, the Purchaser and the ultimate beneficial owner of the Purchaser are third parties independent of the Bank and its connected persons.

### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the disposal of the Property are more than 5% but all are below 25%, the disposal of the Property constitutes a discloseable transaction of the Bank and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

### **DEFINITIONS**

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

<b>“Agreement for Sale and Purchase”</b>	the Agreement for Sale and Purchase dated 26 September 2017 entered into by the Bank (as vendor) and the Purchaser in relation to the sale of the Property
<b>“Bank”</b>	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)
<b>“Bank Group”</b>	the Bank and its subsidiaries
<b>“Board”</b>	the board of Directors of the Bank
<b>“Completion Date”</b>	has the meaning ascribed to it under the section headed “The Agreement for Sale and Purchase” of this announcement
<b>“connected person(s)”</b>	has the meaning ascribed to it under the Listing Rules
<b>“Consideration”</b>	HK\$658,000,000 being the total consideration payable by the Purchaser to the Bank in respect of its purchase of the Property
<b>“Director(s)”</b>	the director(s) of the Bank
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“Leased Back Portions”</b>	has the meaning ascribed to it under the section headed “Lease Back Arrangement” of this announcement
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange for the time being in force

“Offices Portion”	has the meaning ascribed to it under the section headed “Lease Back Arrangement” of this announcement
“Property”	Fung Shun Commercial Building located at No. 591 Nathan Road and No. 13 Changsha Street
“Purchaser”	King Firm Enterprises Limited, a company incorporated in Hong Kong with limited liability and a special purpose vehicle wholly-owned and controlled by Sunlight REIT
“Shops Portion”	has the meaning ascribed to it under the section headed “Lease Back Arrangement” of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Sunlight REIT”	Sunlight Real Estate Investment Trust, a collective investment scheme constituted as a unit trust and authorised under section 104 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the units of which are listed on the Stock Exchange (Stock Code: 00435)
“%”	per cent

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

Hong Kong, 26 September 2017

*As at the date of this announcement, the Board of the Bank 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.*