

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



MAJOR TRANSACTION
IN RELATION TO
THE DISPOSAL OF CHONG HING INSURANCE'S SHAREHOLDING IN
HONG KONG LIFE INSURANCE LIMITED

THE SHARE SALE AGREEMENT

On 20 March 2017, the Sellers (being Chong Hing Insurance, a wholly-owned subsidiary of the Bank, Asia Insurance Company, Limited, OCBC Wing Hang Bank Limited, Shanghai Commercial Bank Limited and Wing Lung Agency Limited) entered into the Share Sale Agreement with the Purchaser, pursuant to which the Sellers conditionally agreed to sell their respective interests in, and the Purchaser conditionally agreed to purchase the entirety of, the issued share capital of Hong Kong Life, whose core business is the sale and underwriting of life insurance products in Hong Kong.

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 are more than 25% but all are below 75%, the Disposal constitutes a major transaction of the Bank and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since (i) no Shareholder is required to abstain from voting on the resolution at a general meeting of the Bank if it were convened to approve the Disposal; and (ii) in lieu of holding a general meeting of the Bank, the Bank, on 20 March 2017, received the Written Shareholder's Approval in respect of the Share Sale Agreement and the Disposal from Yuexiu Financial Holdings Limited, being a Shareholder holding an aggregate of 489,375,000 ordinary shares in the issued share capital of the Bank, representing 75% of the issued capital of the Bank as at the date of the Written Shareholder's Approval, no general meeting of the Bank is required to be convened for the approval of the Share Sale Agreement and the Disposal pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, details of the Share Sale Agreement, the Disposal, and other information as required under the Listing Rules, will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

AS CLOSING OF THE DISPOSAL IS SUBJECT TO THE SATISFACTION OF THE CONDITIONS, THE DISPOSAL MAY OR MAY NOT PROCEED. THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE DISPOSAL WILL BE IMPLEMENTED OR COMPLETED. SECURITY HOLDERS AND POTENTIAL INVESTORS OF THE BANK SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE BANK.

INTRODUCTION

On 20 March 2017, the Sellers (being Chong Hing Insurance, a wholly-owned subsidiary of the Bank, Asia Insurance Company, Limited, OCBC Wing Hang Bank Limited, Shanghai Commercial Bank Limited and Wing Lung Agency Limited) entered into the Share Sale Agreement with the Purchaser, pursuant to which the Sellers conditionally agreed to sell their respective interests in, and the Purchaser conditionally agreed to purchase the entirety of, the issued share capital of Hong Kong Life, whose core business is the sale and underwriting of life insurance products in Hong Kong.

A summary of the major terms of the Share Sale Agreement is set out below.

THE SHARE SALE AGREEMENT

Date

20 March 2017

Parties

- (i) Asia Insurance Company, Limited;
- (ii) Chong Hing Insurance;
- (iii) OCBC Wing Hang Bank Limited;
- (iv) Shanghai Commercial Bank Limited;
- (v) Wing Lung Agency Limited; and
- (vi) The Purchaser.

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

Please see the section headed "*Information on the Bank and the Parties*" below for further information on the parties to the Share Sale Agreement.

Subject matter

Under the Share Sale Agreement, the Sellers conditionally agreed to sell their respective interests in, and the Purchaser conditionally agreed to purchase the entirety of, the issued share capital of Hong Kong Life.

Consideration

The consideration for the disposal of the Shares shall be an amount in cash equal to HK\$7,100 million in respect of the Shares (the "**Consideration**"). The consideration for the Disposal Shares shall be an amount in cash equal to approximately HK\$1,183.33 million, being Chong Hing Insurance's Relevant Proportion of the Consideration.

The Consideration was determined after arm's length negotiations between the parties to the Share Sale Agreement following an auction process, and taking into account the interests of the Sellers and the financial position of Hong Kong Life.

The Purchaser has paid to the Sellers its Relevant Proportion of an amount of HK\$710 million as a deposit for the Shares (equivalent to approximately 10% of the Consideration) (the "**Deposit**"). Of the Deposit, Chong Hing Insurance has received an amount equal to approximately HK\$118.33 million, being its Relevant Proportion of the Deposit. The Deposit is non-refundable to the Purchaser unless the Sellers breach their closing obligations under the Share Sale Agreement.

On Closing, the Purchaser shall pay to each Seller an amount in cleared funds equal to such Seller's Relevant Proportion of an amount equal to the Consideration less the Deposit (and any interest accrued on the Deposit based on the average rate available to a HSBC Hong Kong Dollar Savings Account) less the Sellers' 50% share of the employee retention bonus and Hong Kong stamp duty arising under the Transaction.

Conditions

Closing of the Transaction (including the Disposal) is conditional upon satisfaction of the following Conditions, or their satisfaction subject only to Closing:

- (i) any person that will become a "controller" (as defined under the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong)) of Hong Kong Life as a result of the Transaction having obtained written approval or a written notice of no objection from the Insurance Authority to become a "controller" of Hong Kong Life, if such approval is required by the Insurance Authority; and
- (ii) in respect of the Schemes: (a) the SFC having approved the change of the controlling shareholders of Hong Kong Life pursuant to the Code on Investment-Linked Assurance Schemes; and (b) (if required by the SFC) notice of such change having been given to the participants of the Schemes and the SFC's prescribed notice period to the participants of the Schemes having expired.

If the Conditions are not satisfied by the Long Stop Date, the Purchaser on the one hand, or the Sellers acting jointly on the other hand, may, in its or their sole discretion, terminate the Share Sale Agreement.

Closing

Subject to the paragraph immediately below, Closing shall take place on the tenth business day after the date on which notification of the fulfilment of the last of the Conditions set out in the section headed "*Conditions*" above takes place, or on such other date as may be agreed between the Purchaser and the Sellers.

Upon Closing, Hong Kong Life and each Seller Bank (including the Bank) shall enter into the Distribution Agreements pursuant to which the Seller Banks shall respectively distribute products of Hong Kong Life on and subject to the terms of each of their respective Distribution Agreement.

INFORMATION ON THE BANK AND THE PARTIES

The Bank

Founded in 1948, Chong Hing Bank Limited is a listed company in Hong Kong (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 42 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.

Chong Hing Insurance Company Limited

Chong Hing Insurance, a wholly-owned subsidiary of the Bank, is an insurance company and carries on general insurance business other than insurance of a long-term nature.

Hong Kong Life

Founded in 2001, Hong Kong Life has developed into a well-established life insurance company in Hong Kong, ranking number 10 in terms of New Business Annual Premium Equivalent among Hong Kong life insurers in the third quarter of 2016. Hong Kong Life offers a broad product suite to cater to the insurance needs of customers in every life stage, including traditional savings insurance, universal life, term life insurance, retirement plans, juvenile plans, medical & dread disease coverage, accidental & disability coverage, and group insurance.

Asia Insurance Company, Limited

Established in 1959, Asia Insurance Company, Limited, a subsidiary of Asia Financial Holdings Limited, is a general insurer based in Hong Kong with a strong Financial Strength Rating 'A' by S&P Global Ratings, broad distribution network and quality client base. Apart from its head office in Hong Kong, Asia Insurance Company, Limited distributes its products and services overseas via its Macau branch.

OCBC Wing Hang Bank Limited

OCBC Wing Hang Bank Limited was established in 1937 and became a wholly-owned subsidiary of the Oversea-Chinese Banking Corporation Limited in October 2014. It has a network of over 100 branches and offices in Hong Kong, Macau and mainland China. Together with its subsidiaries and affiliated companies, OCBC Wing Hang Bank Limited offers a comprehensive range of commercial banking products and services and other financial services including consumer financing, share brokerage and insurance. Oversea-Chinese Banking Corporation Limited is the longest established Singapore bank and the second largest financial services group in Southeast Asia by assets.

Shanghai Commercial Bank Limited

Established in 1950, Shanghai Commercial Bank Limited is an established local Chinese bank in Hong Kong, majority-owned by The Shanghai Commercial & Savings Bank, Limited. Shanghai Commercial Bank Limited has over 40 branches across Hong Kong, 2 branches and 1 sub-branch in mainland China and 4 overseas branches, offering customers a range of retail and corporate banking services and products including deposits, securities trading, credit cards, insurance and wealth management services and corporate and personal loans.

Wing Lung Bank Limited

Established in 1933, Wing Lung Bank Limited is among the oldest Chinese banks in Hong Kong and has been a member of China Merchants Bank Group since 2008. As of 31 December 2016, Wing Lung Bank Limited had 37 branches across Hong Kong, 3 branches and 1 sub-branch in mainland China, 1 branch in Macau and 3 overseas branches, providing banking services including deposits, loans, private banking and wealth management, investment, securities, credit cards, NET Banking, syndicated loans, corporate financing, bills, hire-purchase and leasing, foreign exchange, insurance agency, Mandatory Provident Fund, etc. Wing Lung Bank also provides insurance broking and general insurance underwriting, property management and trustee, as well as nominee and asset management services through its wholly-owned subsidiaries.

The Purchaser

Incorporated in Hong Kong, First Origin International Limited is an investment holding company with a focus on investment in financial and technology sectors in Asia, aiming at improving operational efficiency, and promoting sustainable growth, of traditional finance through leveraging technology.

FINANCIAL INFORMATION CONCERNING HONG KONG LIFE

The net profit before and after tax and extraordinary items attributable to Hong Kong Life prepared in accordance with Hong Kong Financial Reporting Standards for each of the two years ended 31 December 2015 and 2016 (audited in the case of 2015 and unaudited in the case of 2016) were as follows:

	Net profit/(loss) before taxation and extraordinary items	Net profit/(loss) after taxation and extraordinary items
	<i>HK\$</i>	<i>HK\$</i>
For the year ended 31 December 2015 (audited)	57,131,008	41,146,543
For the year ended 31 December 2016 (unaudited)	25,400,504	25,448,723

Based solely on the carrying value of Hong Kong Life in the amount of approximately HK\$95.73 million included in the audited consolidated financial statements of the Group for the year ended 31 December 2016 and the consideration for the Disposal Shares under the Share Sale Agreement in the amount of approximately HK\$1,183.33 million, the Group would record an unaudited estimated gain of approximately HK\$1,087.60 million before taxation from the disposal of the Disposal Shares. However, it is expected that the ultimate gain that the Group will record may be different from the above stated gain given that there have been changes to the carrying value of Hong Kong Life since 31 December 2016 due to, amongst other things, the profit and loss of Hong Kong Life.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE SALE AGREEMENT

The Directors believe that the sale of the Disposal Shares is in line with the strategy of all of the Sellers. In particular, Hong Kong Life is currently a joint venture between the five Sellers. The Sellers believe that it is in the best interests of Hong Kong Life to have one new single shareholder to take charge to grow its business in line with its customers' evolving needs. The Purchaser has been identified through a competitive auction process, and the Directors believe that the sale will generate substantial value in the interests of the Shareholders. Upon completion of the Share Sale Agreement, the Group will utilise the proceeds for reinvestment in its business and for general working capital purposes.

The Directors (including the independent non-executive Directors) are of the view that the Share Sale Agreement has been made on normal commercial terms and that its terms are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Major Transaction

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal are more than 25% but all are below 75%, the Disposal constitutes a major transaction of the Bank and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Since (i) no Shareholder is required to abstain from voting on the resolution at a general meeting of the Bank if it were convened to approve the Disposal; and (ii) in lieu of holding a general meeting of the Bank, the Bank, on 20 March 2017, received the Written Shareholder's Approval in respect of the Share Sale Agreement and the Disposal from Yuexiu Financial Holdings Limited, being a Shareholder holding an aggregate of 489,375,000 ordinary shares in the issued share capital of the Bank, representing 75% of the issued capital of the Bank as at the date of the Written Shareholder's Approval, no general meeting of the Bank is required to be convened for the approval of the Share Sale Agreement and the Disposal pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, details of the Share Sale Agreement, the Disposal, and other information as required under the Listing Rules, will be despatched to Shareholders as soon as practicable in accordance with the Listing Rules.

AS CLOSING OF THE DISPOSAL IS SUBJECT TO THE SATISFACTION OF THE CONDITIONS, THE DISPOSAL MAY OR MAY NOT PROCEED. THE ISSUE OF THIS ANNOUNCEMENT DOES NOT IN ANY WAY IMPLY THAT THE DISPOSAL WILL BE IMPLEMENTED OR COMPLETED. SECURITY HOLDERS AND POTENTIAL INVESTORS OF THE BANK SHOULD EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE BANK.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Bank”	Chong Hing Bank Limited, a company incorporated in Hong Kong with limited liability, the ordinary shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 01111)
“Board”	the board of directors of the Bank
“Chong Hing Distribution Agreement”	the distribution agreement proposed to be entered into between Hong Kong Life and the Bank upon Closing
“Chong Hing Insurance”	Chong Hing Insurance Company Limited, a wholly-owned subsidiary of the Bank
“Closing”	completion of the sale of the Shares (including the Disposal) pursuant to the Share Sale Agreement
“Closing Date”	the date on which Closing takes place
“Conditions”	the conditions to Closing under the Share Sale Agreement
“Consideration”	the consideration for the disposal of the Shares
“Deposit”	the deposit for the disposal of the Shares
“Director(s)”	the director(s) of the Bank
“Disposal”	the disposal of the Disposal Shares by Chong Hing Insurance on and subject to the terms and conditions set out in the Share Sale Agreement
“Disposal Shares”	70,000,000 Shares, representing 16 $\frac{2}{3}$ % of the issued share capital of Hong Kong Life on the date of the Share Sale Agreement, held by Chong Hing Insurance and proposed to be sold to the Purchaser on and subject to the terms and conditions

	set out in the Share Sale Agreement
“Distribution Agreements”	the Chong Hing Distribution Agreement, the OCBC Wing Hang Distribution Agreement, the Shanghai Commercial Bank Distribution Agreement and the Wing Lung Distribution Agreement
“Group”	the Bank and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Life”	Hong Kong Life Insurance Limited, a company incorporated in Hong Kong with registration number 0708790, whose core business is the sale and underwriting of life insurance products in Hong Kong
“Insurance Authority”	the Office of the Commissioner of Insurance of Hong Kong or, if the regulatory powers of the Office of the Commissioner of Insurance of Hong Kong are transferred to the Independent Insurance Authority of Hong Kong pursuant to the Insurance Companies (Amendment) Ordinance 2015, the Independent Insurance Authority of Hong Kong
“Insurance Authority Condition”	the condition that any person that will become a “controller” (as defined under the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong)) of Hong Kong Life as a result of the Transaction having obtained written approval or a written notice of no objection from the Insurance Authority to become a “controller” of Hong Kong Life, if such approval is required by the Insurance Authority
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange for the time being in force
“Long Stop Date”	<p>(i) the date falling 12 months after the date of the Share Sale Agreement unless, following the expiry of this initial 12 month period, the only outstanding Condition that remains to be satisfied is the Insurance Authority Condition, in which case:</p> <p>(a) the Sellers acting jointly shall have the right to extend the Long Stop Date to the date falling no later than 24 months after the date of the Share Sale Agreement; and</p> <p>(b) if the delay in satisfying the Insurance Authority Condition has in part been caused by changes in the organisation and structure of the Insurance Authority resulting in the Insurance Authority taking longer than would typically be the case to process the approval application, the Purchaser shall have the right to extend the Long Stop Date to a date falling no later than 18 months after the date of the Share Sale Agreement; or</p> <p>(ii) such other date as may be agreed in writing by the Sellers and the Purchaser from time to time</p>
“OCBC Wing Hang Distribution Agreement”	the distribution agreement proposed to be entered into between Hong Kong Life and OCBC Wing Hang Bank Limited upon Closing
“Purchaser”	First Origin International Limited, a company incorporated in Hong

	Kong with limited liability
“Relevant Proportion”	with respect to each Seller, its percentage holding in the issued share capital of Hong Kong Life on the date of the Share Sale Agreement; and with respect to Chong Hing Insurance, a figure equal to 16 $\frac{2}{3}$ %
“Schemes”	Wealth Express Invest Plan, Wealth Express Single Premium Invest Plan and Wealth Plus Invest Plan, being investment-linked assurance schemes offered by Hong Kong Life
“Seller Banks”	the Bank, OCBC Wing Hang Bank Limited, Shanghai Commercial Bank Limited and Wing Lung Bank Limited
“Sellers”	Asia Insurance Company, Limited, Chong Hing Insurance, OCBC Wing Hang Bank Limited, Shanghai Commercial Bank Limited and Wing Lung Agency Limited
“SFC”	The Securities and Futures Commission of Hong Kong
“Shanghai Commercial Bank Distribution Agreement”	the distribution agreement proposed to be entered into between Hong Kong Life and Shanghai Commercial Bank Limited upon Closing
“Shareholder(s)”	holder(s) of the ordinary shares in the issued share capital of the Bank
“Shares”	the issued shares in the share capital of Hong Kong Life
“Share Sale Agreement”	the share sale agreement dated 20 March 2017 entered into by the Sellers and the Purchaser in relation to the Transaction
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the disposal of the Shares by the Sellers (including the Disposal) on and subject to the terms and conditions set out in the Share Sale Agreement
“Wing Lung Distribution Agreement”	the distribution agreement proposed to be entered into between Hong Kong Life and Wing Lung Bank Limited upon Closing
“Written Shareholder’s Approval”	the written shareholder’s approval dated 20 March 2017 in respect of the Share Sale Agreement and the Disposal given by Yuexiu Financial Holdings Limited
“%”	per cent.

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

Hong Kong, 20 March 2017

As at the date of this announcement, the Board of the Bank 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 Cheng Yuk Wo, Mr Ma Chiu Cheung Andrew, Mr Lee Ka Lun and Mr Yu Lup Fat Joseph.