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CONTINUING CONNECTED TRANSACTIONS

RENEWAL OF INFORMATION TECHNOLOGY FRAMEWORK AGREEMENT

RENEWAL OF THE 2017 IT FRAMEWORK AGREEMENT

Reference is made to the announcement of the Bank dated 25 October 2017 in relation to the 2017 IT Framework Agreement entered into between the Bank and Yuexiu Financial Technology.

The Board hereby announces that on 25 August 2020, the Bank entered into the 2020 IT Framework Agreement with Yuexiu Financial Technology to renew the arrangements under the 2017 IT Framework Agreement which governs the various information technology related services to be provided by the Yuexiu Financial Technology Group to the CHB Group as more particularly described herein.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yuexiu Financial Technology is an indirect wholly-owned subsidiary of GZYZ Financial Holdings, which is owned as to approximately 47% by Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司), the ultimate controlling shareholder of the Bank. Therefore, Yuexiu Financial Technology is a connected person of the Bank and the transactions contemplated under the 2020 IT 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 for the transactions contemplated under the 2020 IT Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the 2020 IT Framework Agreement are subject to the reporting, annual review and disclosure requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. BACKGROUND

Reference is made to the announcement of the Bank dated 25 October 2017 in relation to the 2017 IT Framework Agreement entered into between the Bank and Yuexiu Financial Technology.

The Board hereby announces that on 25 August 2020, the Bank entered into the 2020 IT Framework Agreement with Yuexiu Financial Technology to renew the arrangements under the 2017 IT Framework Agreement which governs the various information technology related services to be provided by the Yuexiu Financial Technology Group to the CHB Group as more particularly described herein.

2. THE 2020 IT FRAMEWORK AGREEMENT

Date

25 August 2020

Parties

- (1) the Bank
- (2) Yuexiu Financial Technology

Term

The term of the 2020 IT Framework Agreement will commence on 1 September 2020 and end on 31 August 2023 (both dates inclusive). The parties to the 2020 IT Framework Agreement may, subject to compliance with the laws and regulations (including but not limited to the Listing Rules), renew the 2020 IT Framework Agreement by agreement in writing.

Subject matter

Pursuant to the terms of the 2020 IT Framework Agreement, the Yuexiu Financial Technology Group will provide the following information technology related services to the CHB Group:-

- (a) information technology related technical support, including information technology related infrastructure planning consultancy, feasibility study of projects, and provision of technical personnel to participate in the implementation of projects;
- (b) construction, operation and maintenance of business and information technology systems, including application system design, development, testing and operation and maintenance support, provision of data centre facility, data centre construction, system integration, provision of hardware and software maintenance;
- (c) procurement of hardware and software, including hardware such as office equipment, servers, storage and network equipment, and software such as operating systems, databases, intermediary software and antivirus software;
- (d) information technology project management services; and
- (e) financial technology related research work, including research and application of advanced technology in the fields of internet financial services and supply chain finance business.

Members of the CHB Group and the Yuexiu Financial Technology Group may enter into separate transaction documents, including but not limited to statements of work, purchase orders and sub-contracts.

The particular scope of the transactions contemplated under the 2020 IT Framework Agreement, terms and fees of services and other terms shall be in conformity with the terms of the 2020 IT 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 fees charged by the Yuexiu Financial Technology Group for the services to be supplied to the CHB Group under the 2020 IT Framework Agreement will be determined with reference to the expected costs to be incurred in the course of provision of the services to the CHB Group, volume and duration of the services required, and the prevailing market prices of the same or similar services or products offered by Independent Third Parties.

In order to ensure that the CHB Group will engage the services of the Yuexiu Financial Technology Group on terms no less favourable than those obtained from Independent Third Parties of the CHB Group, members of the CHB Group will, before entering into any individual transaction documents with members of the Yuexiu Financial Technology Group, conduct tender/quotation and/or invite at least two independent information technology services providers to submit quotations or proposals for review and approval by the management so as to determine whether an alternative service could be obtained with the most competitive price. In cases where quotations from Independent Third Parties are not available or are not directly comparable in respect of certain services, the terms to be provided by the Yuexiu Financial Technology Group to the CHB Group will then be determined after arm's length negotiation between the parties on normal commercial terms.

Periodic inspections will also be conducted by the internal control function of the Bank to ensure that the transactions are conducted in accordance with the terms of the 2020 IT Framework Agreement, on normal commercial terms or better negotiated on an arm's length basis, and in accordance with the pricing policy of the CHB Group.

3. HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS

The historical aggregate transaction amounts of the information technology related services between the CHB Group and the Yuexiu Financial Technology Group for the period from 25 October 2017 to 31 December 2017, 1 January 2018 to 31 December 2018, 1 January 2019 to 31 December 2019 and 1 January 2020 to 31 August 2020 were HK\$8,668,995, HK\$25,707,292, HK\$16,749,598 and expected to be HK\$10,468,178, respectively.

The estimated annual caps of the continuing connected transactions contemplated under the 2020 IT Framework Agreement are as follows:

Period	Estimated Annual Cap
1 September 2020 to 31 December 2020	HK\$10,000,000 (equivalent to approximately RMB8,941,000)
1 January 2021 to 31 December 2021	HK\$30,000,000 (equivalent to approximately RMB26,823,000)
1 January 2022 to 31 December 2022	HK\$50,000,000 (equivalent to approximately RMB44,705,000)
1 January 2023 to 31 August 2023	HK\$60,000,000 (equivalent to approximately RMB53,646,000)

The above estimated annual caps, being the expected maximum annual transaction amounts, have been determined with reference to, among others, the projected increase in the demand for information technology related services by the CHB Group under the 2020 IT Framework Agreement, the estimated business growth and operational needs of the CHB Group, and an additional buffer to cater for the potential fluctuations of the exchange rate of RMB.

The payment by the CHB Group will be settled through the internal resources of the CHB Group.

4. REASONS FOR AND BENEFITS OF THE RENEWAL OF THE 2017 IT FRAMEWORK AGREEMENT

The Directors (other than the Director who abstained from voting on the resolutions approving the 2020 IT Framework Agreement) consider renewal of the 2017 IT Framework Agreement to be consistent with the business objectives of the CHB Group. The services to be provided under the 2020 IT Framework Agreement can be utilised by the CHB Group to improve and maintain its information technology systems so as to support the business needs and enhance operational efficiency of the CHB Group as a whole.

The Directors (including the independent non-executive Directors, but excluding Mr Li Feng, who has abstained from voting on the resolutions approving the 2020 IT Framework Agreement) consider that the terms of the 2020 IT 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 in the interests of the Bank and its shareholders as a whole.

Mr Li Feng, being common director of the Bank and GZYZ Financial Holdings, abstained from voting on the resolutions approving the 2020 IT 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 2020 IT 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.

5. LISTING RULES IMPLICATIONS

As at the date of this announcement, Yuexiu Financial Technology is an indirect wholly-owned subsidiary of GZYZ Financial Holdings, which is owned as to approximately 47% by Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司), the ultimate controlling shareholder of the Bank. Therefore, Yuexiu Financial Technology is a connected person of the Bank and the transactions contemplated under the 2020 IT 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 for the transactions contemplated under the 2020 IT Framework Agreement exceed 0.1% but are less than 5%, the transactions contemplated under the 2020 IT Framework Agreement are subject to the reporting, annual review and disclosure requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. GENERAL

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

Yuexiu Financial Technology is a limited liability company incorporated in the PRC and is principally engaged in the provision of software and information technology services.

7. DEFINITIONS

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

“2017 IT Framework Agreement”	the framework agreement dated 25 October 2017 entered into between the Bank and Yuexiu Financial Technology in relation to the provision of various information technology related services by the Yuexiu Financial Technology Group to the CHB Group
“2020 IT Framework Agreement”	the framework agreement dated 25 August 2020 entered into between the Bank and Yuexiu Financial Technology in relation to the provision of various information technology related services by the Yuexiu Financial Technology Group to the CHB Group

“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”	collectively, the Bank and its subsidiaries
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“controlling shareholder”	shall have the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Bank
“GZYX Financial Holdings”	Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司), a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000987)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yuexiu Financial Technology”	Guangzhou Yuexiu Financial Technology Co., Ltd.* (廣州越秀金融科技有限公司), a limited liability company incorporated in the PRC and an indirect wholly-owned subsidiary of GZYX Financial Holdings
“Yuexiu Financial Technology Group”	Yuexiu Financial Technology and its subsidiaries
“%”	per cent.

For illustrative purposes, the exchange rate of HK\$1.00 = RMB0.8941 is adopted in this announcement.

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

Hong Kong, 25 August 2020

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*