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**中國工商銀行(亞洲)**

**ICBC (Asia)**

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (ASIA) LIMITED**

**中國工商銀行(亞洲)有限公司**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 349)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
FROM 2008 TO 2010**

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2008 TO 2010**

Reference is made to the 2004 Circular in relation to Ongoing Banking Transactions between the Group and the ICBC Group. The Independent Shareholders had approved the Ongoing Banking Transactions between the Group and the ICBC Group until 31 December 2007 at the extraordinary general meeting of the Bank held on 31 December 2004. The Stock Exchange has also previously granted a waiver from compliance with the requirements regarding the maximum aggregate annual value for each of the Ongoing Banking Transactions under the Listing Rules for the Ongoing Banking Transactions, and such waiver had also been approved by the Independent Shareholders at the extraordinary general meeting of the Bank held on 31 December 2004.

The Ongoing Banking Transactions constitute non-exempt continuing connected transactions of the Bank under Rule 14A.35 of the Listing Rules. These transactions will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Bank expects to continue the Ongoing Banking Transactions after 31 December 2007 and therefore will, in accordance with the Listing Rules, re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the Ongoing Banking Transactions, including, seeking Independent Shareholders' approval for the Ongoing Banking Transactions for the next three years (i.e. from 1 January 2008 to 31 December 2010), in the absence of a maximum aggregate annual value. The Bank has also made a new application to the Stock Exchange for a waiver from strict compliance with the requirements regarding the maximum aggregate annual value for each of the Ongoing Banking Transactions under the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Master Agreement in relation to the Ongoing Banking Transactions are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser has been appointed for the purposes of advising the Independent Board Committee and the Independent Shareholders regarding the Ongoing Banking Transactions on the basis of, and the reasons for, such transactions not being subject to a maximum aggregate annual value as sought in the waiver application made to the Stock Exchange.

A circular containing, among other things, (1) details of the terms of the Master Agreement; (2) further information on the Ongoing Banking Transactions; (3) recommendation of the Independent Board Committee; (4) recommendation of the independent financial adviser; and (5) notice of EGM to be convened at which ordinary resolution will be proposed to consider and, if thought fit, to approve the Master Agreement and the Ongoing Banking Transactions, in the absence of a maximum aggregate annual value, will be despatched to the Shareholders as soon as practicable. ICBC and its associates will abstain from voting in the EGM to approve the Ongoing Banking Transactions and the Master Agreement.

## **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS FROM 2008 TO 2010**

### **Background**

Reference is made to the 2004 Circular in relation to Ongoing Banking Transactions between the Group and the ICBC Group. The Independent Shareholders had approved the Ongoing Banking Transactions between the Group and the ICBC Group until 31 December 2007 at the extraordinary general meeting of the Bank held on 31

December 2004. The Stock Exchange has also previously granted a waiver from compliance with the requirements regarding the maximum aggregate annual value for each of the Ongoing Banking Transactions under the Listing Rules for the Ongoing Banking Transactions, and such waiver had also been approved by the Independent Shareholders at the extraordinary general meeting of the Bank held on 31 December 2004.

The Ongoing Banking Transactions constitute non-exempt continuing connected transactions of the Bank under Rule 14A.35 of the Listing Rules. These transactions will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Bank expects to continue the Ongoing Banking Transactions after 31 December 2007 and therefore will, in accordance with the Listing Rules, re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the Ongoing Banking Transactions, including, seeking Independent Shareholders' approval for the Ongoing Banking Transactions for the next three years (i.e. from 1 January 2008 to 31 December 2010), in the absence of a maximum aggregate annual value.

### **Master Agreement**

The existing waiver in respect of the Ongoing Banking Transactions is due to expire on 31 December 2007. In order to comply with the requirements of the Listing Rules, the Bank has entered into the Master Agreement with ICBC on 14 December 2007 to set out the terms and conditions for each of the following Ongoing Banking Transactions: the Derivatives Transactions, the Foreign Exchange Transactions, the Inter-bank Capital Markets Transactions, the Capital Markets Transactions and the Trade Finance Transactions.

The Master Agreement provides for a framework for the entering into from time to time of the Ongoing Banking Transactions by members of the Group and the ICBC Group, and each of the Ongoing Banking Transactions as entered into from time to time will be subject to a fixed term of three years commencing on 1 January 2008, and all other terms and conditions in which each of the Ongoing Banking Transactions have been carried out will be on the same terms as entered into from time to time.

The Master Agreement is conditional upon the Independent Shareholders of the Bank approving the Master Agreement and the Ongoing Banking Transactions, in the absence of a maximum aggregate annual value at the EGM.

According to Rule 14A.35(2) of the Listing Rules, non-exempt continuing connected transactions are normally subject to a maximum aggregate annual value. The Bank has made a new application to the Stock Exchange for a waiver from strict compliance with the requirements to set a maximum aggregate annual value for each of the Ongoing Banking Transactions for the next three years ending 31 December 2010. The application has been made on the basis of (but not limited to) the following:

- (a) as each of the Ongoing Banking Transactions is entered into in the ordinary and usual course of business of the Group, the volume and aggregate value of each of the Ongoing Banking Transactions vary from time to time and from year to year. Given the volume and size of each of the Ongoing Banking Transactions, it is difficult and impracticable to set, and estimate, a maximum aggregate annual value for each of the transactions. Furthermore, references to previous figures for each of the Ongoing Banking Transactions may not be a fair indication as to the expected value of the transactions for the next three years;
- (b) in respect of some of the Ongoing Banking Transactions, namely, the Derivatives Transactions, the Foreign Exchange Transactions and the Inter-bank Capital Markets Transactions that are entered into partly for risks management purposes would require the relevant transactions to be entered into in a timely and efficient manner, if the relevant transactions exceed the maximum aggregate annual value, the obligations to seek the relevant shareholders' approval would cause significant delay to the entering into of such transactions, as such, the Group would not be able to enter into such transactions for risks management purposes;
- (c) in respect of the other Ongoing Banking Transactions, namely, the Capital Markets Transactions and the Trade Finance Transactions, the potential obligations to obtain shareholders approval of the relevant caps would cause significant delay to transactions that are entered into on normal commercial terms and would hinder the potential business growth and potential profitability of the Bank; and
- (d) the inter-bank market is an open, competitive and transparent market in which all of the Group's inter-bank transactions including the Ongoing Banking Transactions with the ICBC Group are, and will, continue to be entered into on an arm's length basis in an efficient way.

The Stock Exchange has granted the waiver from strict compliance with the requirements in Rule 14A.35(2) of the Listing Rules to set a maximum aggregate annual value for each of the Ongoing Banking Transactions for the next three years ending 31 December 2010, subject to approval by the Independent Shareholders at the EGM and compliance with all other relevant requirements including reporting requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

### **The Ongoing Banking Transactions**

The Master Agreement includes the following types of Ongoing Banking Transactions that have been entered, or to be entered into (as the context requires), between the Group and the ICBC Group:

- (i) Derivatives Transactions;
- (ii) Foreign Exchange Transactions;
- (iii) Inter-bank Capital Markets Transactions;
- (iv) Capital Markets Transactions; and
- (v) Trade Finance Transactions.

Details of each type of Ongoing Banking Transactions are set out below.

#### *(i) Derivatives Transactions*

In the Group's ordinary and usual course of business, and in order to meet the relevant requirements on counter-party risk demanded by issuers of derivatives, the Group enters into various derivatives transactions with the ICBC Group from time to time, including but not limited to interest rate swaps and various option contracts for the purposes of balance sheet and/or interest rate risk management or hedging against customer-driven transactions. It also includes interest rate swaps on a back-to-back basis with ICBC for hedging against certain assets acquired by the Bank from ICBC on 3 July 2001.

The interest rate swaps and option contracts are priced on the following basis:

- (i) in respect of the interest rate swaps and options contracts for the purposes of balance sheet and/or interest rate risk management or as a result of customer-driven transactions, in accordance with the pricing policy which also applies to

independent financial institutions and on prevailing market rates if such comparable rates are available; or (ii) in respect of the customer-driven transactions, on terms comparable to the original customer-driven transactions. The Group also enters into similar transactions with other financial institutions in Hong Kong from time to time.

The notional amounts of the outstanding Derivatives Transactions between the Group and the ICBC Group as at 31 December 2004, 2005 and 2006, and the corresponding amounts of interest and option premium in each of the three years ended 31 December 2004, 2005 and 2006 were as follows:

(Expressed in HK\$'million)	31 December		
	2004	2005	2006
Notional amount of the outstanding derivatives transactions	10,808	10,754	9,695
Interest income	373	381	455
Interest expenses	276	352	552
Net option premium income/(expense)	(0.8)	(0.3)	—

(ii) *Foreign Exchange Transactions*

The Group enters into foreign exchange contracts with the ICBC Group as part of the Group's ordinary and usual course of business and for the purposes of foreign exchange risk management and in response to customer-driven transactions in a similar manner as mentioned above for the Derivatives Transactions.

These transactions are all executed on an arm's length basis and on normal commercial terms with reference to prevailing market rates. The dealers of the Group obtain the prevailing market rates information through an electronic brokers system. The Group also enters into similar transactions with other financial institutions in Hong Kong from time to time.

The notional amounts of the outstanding Foreign Exchange Transactions between the Group and the ICBC Group as at 31 December 2004, 2005 and 2006 were HK\$5.6 billion, HK\$6.1 billion and HK\$30.8 billion, respectively.

(iii) *Inter-bank Capital Markets Transactions*

The Group enters into the following types of transactions with the ICBC Group:

- (a) buying and selling debt securities (either issued by independent third parties or members of the ICBC Group) from and to the ICBC Group in the primary and secondary markets;
- (b) buying and selling debt securities on behalf of the ICBC Group; and
- (c) selling debt securities issued by the Group.

The Inter-bank Capital Markets Transactions are entered into for the following purposes: (i) on a back-to-back basis; (ii) for the purposes of portfolio and risk management and compliance with the relevant regulatory requirements; or (iii) providing long term funding to the Group for general working capital purposes.

All of these transactions are entered into on normal commercial terms with reference to prevailing market rates, where applicable. The Group also enters into similar transactions with other financial institutions in Hong Kong or independent third parties from time to time.

The principal amounts and the corresponding interest expenses for the Inter-bank Capital Markets Transactions between the Group and the ICBC Group for each of the three years ended 31 December 2004, 2005 and 2006 were as follows:

<b>(Expressed in HK\$'million)</b>	<b>31 December</b>		
	<b>2004</b>	<b>2005</b>	<b>2006</b>
Sale of debt securities to the ICBC Group	1,131	1,444	437
Purchase of debt securities from the ICBC Group	—	66	39
Issue of subordinated floating rate note to the ICBC Group	5,348	5,339	7,528
Issue of certificate of deposits to the ICBC Group	3,887	3,878	3,892
Interest expenses attributable to the certificate of deposits	86	176	200
Interest expenses attributable to the subordinated floating rate note	81	188	349

(iv) *Capital Markets Transactions*

The Group has entered, and will continue to enter in the future, into various types of capital markets transactions with the ICBC Group in which the ICBC Group is or may be an agent bank, reference and paying agent, lead arranger or manager, joint lender, member or participant or sub-participant of a syndicate of lenders and the taking of security jointly with one or more such lenders, participant or buyer or seller of an interest in syndicated or individual loans, partner in a partnership established for tax efficiency reasons, or tax efficiency advisor. These transactions also include the arranging of, participation/sub-participation in loans, acquiring and disposing of interests in syndicated or individual loans, subscription of debt securities and tax efficient financing. The Capital Markets Transactions constitute part of the Bank's capital management activities undertaken on a day to day basis in connection with its banking services.

Capital Markets Transactions with the ICBC Group (such as participation or sub-participation in loans) involving the determination of fee and commission receivable and payable thereon are entered into in the normal and usual course of the Group's business, and in accordance with the practice commonly adopted in the market. The disposal and subsequent re-acquisition of loan participations to and from the ICBC Group are priced based on terms that are no less favourable to the Group than the disposals and re-acquisitions of loan participation to, or from, independent third parties (as the case may be) with reference to comparable transactions. The Group also enters into similar transactions with other financial institutions in Hong Kong and other independent third parties from time to time.

The relevant amounts for the Capital Markets Transactions between the Group and the ICBC Group for each of the three years ended 31 December 2004, 2005 and 2006 were as follows:

(Expressed in HK\$'million)	31 December		
	2004	2005	2006
Sale of syndicated loans to the ICBC Group	1,552	4,815	9,334
Purchase of syndicated loans from the ICBC Group	610	1,349	2,575
Unfunded risk sub-participation by the Group in loans held by the ICBC Group	—	—	28,790
Unfunded risk sub-participation by the ICBC Group of loans held by the Group	—	—	38,496

(v) *Trade Finance Transactions*

The Group enters into trade finance transactions with other financial institutions including the ICBC Group, to buy and sell interests in certain trade finance products, including transactions that had been referred to and characterised under the section “Forfaiting Transactions” in the 2004 Circular.

All of these transactions with the ICBC Group are entered into on normal commercial terms with reference to the prevailing market rates or in accordance with the practice commonly adopted in the market and only in relation to bills of exchange secured under letters of credit. The Group also enters into similar transactions with other independent third parties from time to time.

The relevant amounts for the Trade Finance Transactions between the Group and the ICBC Group for each of the three years ended 31 December 2004, 2005 and 2006 were as follows:

(Expressed in HK\$'million)	31 December		
	2004	2005	2006
Sale of trade finance products to the ICBC Group	—	—	—
Purchase of trade finance products from the ICBC Group	64	69	—

## **REQUIREMENTS OF THE LISTING RULES**

As at the date of this announcement, ICBC held 772,112,228 Shares, representing approximately 62.98% of the issued share capital of the Bank. Accordingly, ICBC is a controlling shareholder of the Bank and a connected person of the Bank for the purposes of the Listing Rules. The Ongoing Banking Transactions therefore constitute non-exempt continuing connected transactions of the Bank under Rule 14A.35 of the Listing Rules, and each of the Ongoing Banking Transactions will be subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders as to whether the terms of the Master Agreement in relation to the Ongoing Banking Transactions are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser has been appointed for the purposes of advising the Independent Board Committee and the Independent

Shareholders regarding the Ongoing Banking Transactions on the basis of, and the reasons for, such transactions not being subject to a maximum aggregate annual value as sought in the waiver application made to the Stock Exchange.

A circular containing, among other things, (1) details of the terms of the Master Agreement; (2) further information on the Ongoing Banking Transactions; (3) recommendation of the Independent Board Committee; (4) recommendation of the independent financial adviser; and (5) notice of EGM to be convened at which ordinary resolution will be proposed to consider and, if thought fit, to approve the Master Agreement and the Ongoing Banking Transactions, in the absence of a maximum aggregate annual value, will be despatched to the Shareholders as soon as practicable. ICBC and its associates will abstain from voting in the EGM to approve the Ongoing Banking Transactions and the Master Agreement.

### **INTERNAL CONTROL PROCEDURES FOR ONGOING BANKING TRANSACTIONS**

In order to ensure that Independent Shareholders' interests are adequately protected after the Stock Exchange granted a waiver from strict compliance with the requirements to set a maximum aggregate annual value for each of the Ongoing Banking Transactions for the next three years ending 31 December 2010, the Bank has agreed to put in place internal control procedures where a monthly report will be provided to the independent non-executive Directors setting out the transactions amounts for each type of Ongoing Banking Transactions, and where applicable, an explanation to the independent non-executive Directors of any significant changes to the transaction volume of the Ongoing Banking Transactions.

The Directors consider that the above internal control procedures proposed to be adopted by the Bank concerning the Ongoing Banking Transactions with the ICBC Group are appropriate and sufficient having regard to the manner in which such continuing connected transactions have been conducted in the past, and that the procedures and measures give sufficient assurance to the independent shareholders that the Ongoing Banking Transactions will be appropriately monitored by the Bank.

### **REASONS FOR THE ONGOING BANKING TRANSACTIONS**

The Bank is a fully licensed bank in Hong Kong. The Directors (excluding the independent non-executive Directors) consider that each of the Ongoing Banking Transactions has been or will be entered into in the ordinary course of business of the Group and on normal commercial terms or on terms that are fair and reasonable so far as the Shareholders taken as a whole are concerned and are in the interests of the Group and the Shareholders taken as a whole.

The Directors (excluding the independent non-executive Directors) also consider it to be in the interests of the Group to continually engage in each of the Ongoing Banking Transactions as each of such transactions is beneficial to the business and profitability of the Group.

The independent non-executive Directors constituting the Independent Board Committee will give their view after considering the advice from the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders, and their view will be given in the circular to be despatched to the Shareholders.

## **INFORMATION ON THE BANK AND ICBC**

The Bank is a fully licensed bank incorporated in Hong Kong and whose Shares are listed on the Stock Exchange. The Bank is principally engaged in banking, financial and other financial related services with a focus on commercial and retail banking businesses as well as corporate banking business. As at the date of this announcement, the Bank has 41 retail branches, 5 business centres and 1 investment service centre in Hong Kong, and an overseas branch established in the Cayman Islands. The Bank is the listed flagship for the overseas banking business of ICBC in Hong Kong and ICBC is a banking institution established under the laws of the PRC with its shares listed on the Stock Exchange and the Shanghai Stock Exchange.

## **DEFINITIONS**

In this announcement, the following capitalised terms shall have the following meanings:

“2004 Circular”	the circular issued by the Bank to its shareholders in respect of the Ongoing Banking Transactions dated 16 December 2004
“associate”	has the meaning ascribed thereto under the Listing Rules
“Bank”	Industrial and Commercial Bank of China (Asia) Limited;
“Board”	the board of directors of the Bank;

“Capital Markets Transactions”	the various capital markets transactions entered into, or to be entered into (as the context requires), between the Group and the ICBC Group from time to time (to be supplemented by the Master Agreement), details of which are set out under the heading “Capital Markets Transactions”;
“Director(s)”	director(s) of the Bank
“Derivatives Transactions”	the derivatives transactions entered into, or to be entered into (as the context requires), between the Group and the ICBC Group from time to time (to be supplemented by the Master Agreement), details of which are set out under the heading “Derivatives Transactions”;
“EGM”	the extraordinary general meeting (including any adjournment thereof) of the Bank to be convened to approve the matters that are the subject of the Master Agreement and the Ongoing Banking Transactions;
“Foreign Exchange Transactions”	the foreign exchange contracts entered into, or to be entered into(as the context requires), between the Group and the ICBC Group from time to time (to be supplemented by the Master Agreement), details of which are set out under the heading “Foreign Exchange Transactions”;
“Group”	the Bank and its subsidiaries from time to time;
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“ICBC”	Industrial and Commercial Bank of China Limited, a banking institution established under the laws of the PRC with its shares listed on the Stock Exchange and the Shanghai Stock Exchange;
“ICBC Group”	ICBC, its branches, subsidiaries and associates (but excluding the Group);

“Independent Board Committee”	an independent committee of the Board comprising of the independent non-executive Directors formed for the purpose of advising the Independent Shareholders in relation to the Ongoing Banking Transactions contemplated under the Master Agreement;
“Independent Shareholders”	the Shareholders excluding ICBC and its associates;
“Inter-bank Capital Markets Transactions”	inter-bank capital markets transactions entered into, or to be entered into (as the context requires), between the Group and the ICBC Group from time to time (to be supplemented by the Master Agreement), details of which are set out under the heading “Inter-bank Capital Markets Transactions”;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time);
“Master Agreement”	the conditional agreement dated 14 December 2007 entered into between the Bank and ICBC in relation to each of the Ongoing Banking Transactions;
“Ongoing Banking Transactions”	the Derivatives Transactions, the Foreign Exchange Transactions, the Inter-bank Capital Markets Transactions, the Capital Markets Transactions and the Trade Finance Transactions, collectively; and a reference to each of the Ongoing Banking Transactions shall be construed accordingly;
“PRC”	The People’s Republic of China, and for the purpose of this announcement, excludes Taiwan, Hong Kong and Macau;
“Share(s)”	ordinary share(s) of par value of HK\$2.00 each in the capital of the Bank;
“Shareholder(s)”	holder(s) of the Share(s) of the Bank;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and

“Trade Finance  
Transactions”

the trade finance transactions entered into, or to be entered into (as the context requires), between the Group and the ICBC Group from time to time (to be supplemented by the Master Agreement), details of which are set out under the heading “Trade Finance Transactions”.

By Order of the Board  
**Tsang Mei Kuen**  
*Company Secretary*

Hong Kong, 14 December 2007

*As at the date of this announcement, the Board comprises Mr. Zhu Qi, Mr. Wong Yuen Fai and Mr. Zhang Yi as executive directors, Dr. Jiang Jianqing, Ms. Wang Lili, Mr. Chen Aiping and Mr. Damis Jacobus Ziengs as non-executive directors and Professor Wong Yue Chim, Richard, SBS, JP, Mr. Tsui Yiu Wa, Alec and Mr. Yuen Kam Ho, George as independent non-executive directors.*