



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)

**DISCLOSEABLE AND CONNECTED TRANSACTION INVOLVING  
THE ACQUISITION OF THE ENTIRE EQUITY INTEREST OF  
CHINESE MERCANTILE BANK**

**AND**

**ISSUE OF NEW SHARES**

**SUMMARY**

The Directors are pleased to announce that the Company entered into the Acquisition Agreement with ICBC and CITIC Ka Wah on 30 December 2004, pursuant to which ICBC and CITIC Ka Wah have agreed to sell and transfer their 75% and 25% equity interest in Chinese Mercantile Bank respectively and the Company has agreed to purchase and accept the transfer of the entire 100% equity interest in CMB, subject to the terms and conditions of the Acquisition Agreement.

CMB is a sino-foreign equity joint venture bank incorporated in the PRC and is principally engaged in non-Renminbi banking business in Shenzhen, the PRC. After Completion, the Company intends to procure CMB to apply for a Renminbi banking business licence and to commence Renminbi banking business in Shenzhen, the PRC upon receipt of, and in accordance with, such licence.

According to the Acquisition Agreement, the Consideration to be paid to ICBC shall be an amount equal to 1.1 times of the audited net asset value of CMB as at the Completion Date as determined by reference to the Completion Accounts. CITIC Ka Wah will receive no consideration for the transfer of its 25% equity interest in CMB as it in effect held that interest on behalf of ICBC. The Consideration payable to ICBC shall be satisfied in the following manner:

- (i) at Completion, such number of Consideration Shares determined by dividing (a) the Unaudited Consideration Value by (b) the Consideration Shares Price, will be allotted and issued by the Company to ICBC; and
- (ii) following Completion and determination of the audited net asset value of CMB as at Completion, to the extent that there is any difference in value between the Unaudited Consideration Value and the Actual Consideration Value, an amount in cash (payable in US Dollars) representing the shortfall or excess to such audited net asset value will be paid by the Company or ICBC (as the case may be) to the other within 30 days of the issuance of the Completion Accounts.

On the basis of the unaudited net asset value of CMB as at 30 November 2004, the Unaudited Consideration Value would amount to US\$96.06 million (equivalent to approximately HK\$749.30 million) and a total of 67,759,057 Consideration Shares would be issued to ICBC at Completion, which would represent approximately 6.47% of the existing issued share capital of the Company and approximately 6.07% of the issued share capital as enlarged by the issue of the Consideration Shares assuming that the Anti-dilution Right is not exercised. For reference purposes, the Consideration Shares will represent approximately 6.04% of the enlarged issued share capital of the Company assuming the Anti-dilution Right is exercised by Generale Belgian Holding B.V. and 6,701,259 new Shares are issued to it. The net profit before taxation and extraordinary item of CMB for the years ended 31 December 2002 and 2003 were US\$296,000 and US\$152,000 respectively. The net profit after taxation and extraordinary item of CMB for the years ended 31 December 2002 and 2003 were US\$152,000 and US\$128,000 respectively.

As at the date of this announcement, ICBC, the controlling shareholder of the Company, owns approximately 57.53% of the entire issued share capital of the Company and is a connected person of the Company for the purposes of the Listing Rules. The Acquisition is therefore a connected transaction of the Company under the Listing Rules and is conditional upon, among other things, the approval by the Independent Shareholders at the EGM to be convened for this purpose. CITIC Ka Wah is an independent third party not connected with the Directors, substantial shareholders or the chief executive of the Company, its subsidiaries or any of their respective associates. Based on the calculations for the applicable percentage ratios as set out under Chapter 14 of the Listing Rules, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules.

**DESPATCH OF CIRCULAR**

An Independent Board Committee comprising the independent non-executive Directors will be appointed to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Acquisition Agreement. A circular containing, among other things, (1) details of the terms of the Acquisition Agreement; (2) recommendation of the Independent Board Committee; (3) recommendation of the independent financial adviser; and (4) notice of EGM to be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Acquisition Agreement, will be despatched to the Shareholders as soon as practicable. ICBC and its associates will abstain from voting at the EGM to approve the Acquisition Agreement.

**THE ACQUISITION**

**The Acquisition Agreement**

**Date:**

30 December 2004

**Parties:**

Vendors: (1) ICBC, the controlling shareholder of the Company and a connected person of the Company under the Listing Rules  
(2) CITIC Ka Wah  
Purchaser: the Company

**Asset to be acquired:**

The entire 100% equity interest of CMB.

**Consideration and payment**

According to the Acquisition Agreement, the Consideration to be paid to ICBC shall be an amount equal to 1.1 times of the audited net asset value of CMB as at the Completion Date as determined by reference to the Completion Accounts. CITIC Ka Wah will receive no consideration for the transfer of its 25% equity interest in CMB as it in effect held that interest on behalf of ICBC. The Consideration payable to ICBC shall be satisfied in the following manner:

- (i) at Completion, such number of Consideration Shares determined by dividing (a) the Unaudited Consideration Value by (b) the Consideration Shares Price, will be allotted and issued by the Company to ICBC; and
- (ii) following Completion and determination of the audited net asset value of CMB as at Completion, to the extent that there is any difference in value between the Unaudited Consideration Value and the Actual Consideration Value, an amount in cash (payable in US Dollars) representing the shortfall or excess to such audited net asset value will be paid by the Company or ICBC (as the case may be) to the other within 30 days of the issuance of the Completion Accounts.

CMB is principally engaged in non-Renminbi banking business in Shenzhen, the PRC. The head office of CMB is located at the Futian District, Shenzhen, the PRC, with a branch bank located at Shekou, Shenzhen, the PRC. After Completion, the Company intends to procure CMB to apply for a Renminbi banking business licence and to commence Renminbi banking business in Shenzhen, the PRC upon receipt of, and in accordance with, such licence.

**Information on the Company**

The Company is a full licensed bank incorporated in Hong Kong and whose Shares are listed on the Stock Exchange. The Company 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, it has 42 retail branches, 5 business centres and one wealth management centre (including those currently operating under the name of "Belgian Bank") in Hong Kong, and an overseas branch established in the Cayman Islands. The Company is the listed flagship for the overseas banking business of ICBC in Hong Kong and ICBC is an enterprise established under the laws of the PRC.

**Reasons and benefits of the Acquisition**

At present, foreign banks face several restrictions in carrying on banking business in the PRC, one of which is that such banks are restricted from carrying on Renminbi banking business without a specific licence. It is anticipated that the restrictions will be gradually relaxed after 2006 and as a result, this will intensify competition in the PRC banking sector. As many foreign banks have already entered into the PRC banking sector by acquiring minority stakes in domestic banks in the PRC, the Directors are therefore of the view that the Acquisition will provide the Company with the opportunity to immediately capitalize on the platform and network of CMB.

**General**

As at the date of this announcement, ICBC, the controlling shareholder of the Company,

Pursuant to the Acquisition Agreement, the Consideration Shares will be issued at the Consideration Shares Price of HK\$11.0583 per Share, being the higher of the closing Share price on 30 December 2004 and the average closing Share price for the 30 trading days up to the date of the Acquisition Agreement. On the basis of the unaudited net asset value of CMB as at 30 November 2004, the Unaudited Consideration Value would amount to approximately US\$96.06 million (equivalent to approximately HK\$749.3 million), and a total of 67,759,057 Consideration Shares will be issued to ICBC at Completion, which would represent approximately 6.47% of the existing issued share capital of the Company and approximately 6.07% of the issued share capital as enlarged by the issue of the Consideration Shares assuming that the Anti-dilution Right is not exercised. Application will be made to the Stock Exchange for the listing of, and for permission to deal in, the Consideration Shares.

For reference purposes, if the Anti-dilution Right is exercised by, and pursuant to which 6,701,259 new Shares are issued to GBH, the Consideration Shares will represent approximately 6.04% of the enlarged issued share capital of the Company. Please refer to the paragraph headed "Anti-dilution Right" below for further details regarding the Anti-dilution Right.

To further enhance the scale of the operations of CMB, ICBC has also undertaken to lend US\$100 million to CMB for its acquisition of loan portfolio of the same amount from ICBC prior to Completion. ICBC, CMB and the Company have agreed that the acquisition of the US\$100 million loan portfolio shall be subject to the Company having been satisfied with the results of the due diligence review of the loan portfolio, and, prior to the acquisition of the loans, the Company may request for the substitution of the individual component(s) of the loan portfolio. In respect of the US\$100 million loan from ICBC, interest is calculated with reference to London Interbank Offer Rate and the term of such loan shall not be less than two years.

The Consideration and other terms of the Acquisition Agreement have been agreed between the Company and the Vendors after arm's length negotiations, taking into account of the reasons for the Acquisition as set out in the paragraph headed "Reasons and benefits of the Acquisition" below. The Directors are of the view that the Consideration and other terms of the Acquisition Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

#### Conditions to Completion

The Acquisition Agreement shall take effect upon the China Banking Regulatory Commission having approved the transactions contemplated under the Acquisition Agreement and Completion is conditional upon, amongst others things, the following conditions having been fulfilled or (if applicable) waived by the relevant parties:

- there being on the Completion Date, no breaches of the representations, warranties and undertakings given by the Vendors which would materially and adversely affect the business and financial position of CMB;
- an independent valuation on CMB having been performed by a PRC valuer in accordance with the relevant PRC laws and regulations in respect of the transfer of the administration of state-owned assets and such valuation report having been filed with the PRC Ministry of Finance;
- shareholders' resolutions having been obtained by CMB in approving the terms and conditions contemplated under the Acquisition Agreement;
- consent, approval or clearances for the transactions contemplated under the Acquisition Agreement having been obtained from the China Banking Regulatory Commission and other relevant governmental authorities in the PRC;
- the Company having received clearances in terms reasonably satisfactory to the Company from the Hong Kong Monetary Authority and the China Banking Regulatory Commission in respect of the transactions contemplated under the Acquisition Agreement and fulfilment of any conditions to which such clearances are subject and which are required to be satisfied prior to Completion;
- the Independent Shareholders having passed the relevant resolution(s) approving the Acquisition Agreement and the allotment and issue of the Consideration Shares as contemplated under the Acquisition Agreement;
- the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Consideration Shares; and
- the acquisition by CMB of the US\$100 million loan portfolio from ICBC having been completed and the corresponding funding for the acquisition of the US\$100 million loan portfolio having been provided by ICBC to CMB.

#### Anti-dilution Right

Pursuant to the sale and purchase agreement dated 31 December 2003 entered into between the Company, GBH and Fortis Bank in relation to the acquisition of the entire issued share capital of Fortis Bank Asia HK (now renamed as "Belgian Bank"), the Anti-dilution Right of GBH will become exercisable in the event of (but not limited to) an acquisition of assets by the Company from ICBC through an issuance of new Shares as consideration. The Anti-dilution Right entitles GBH to subscribe for such number of Shares to enable it to maintain the same percentage shareholding in the Company as that immediately prior to the proposed issue of Shares and the subscription of Shares will be at the same price at which such new Shares are to be issued to ICBC. GBH has on the date of this announcement been formally approached by the board of Directors as to whether it intends to exercise its Anti-dilution Right.

As the transactions contemplated under the Acquisition Agreement will involve the acquisition of assets by the Company from ICBC through an issuance of new Shares as consideration, the Anti-dilution Right of GBH will become exercisable. The Company will, by way of announcement, inform the Shareholders as soon as practicable after the Company has been notified of GBH's decision to exercise its Anti-dilution Right.

#### Shareholding structure

The effect on the shareholding structure of the Company pursuant to the issuance of the Consideration Shares and the exercise of the Anti-dilution Right is as follows:

|        | As at the date of this announcement |         | Immediately after the issuance of the Consideration Shares (assuming the Anti-dilution Right is not exercised) |         | Immediately after the issuance of the Consideration Shares and the issuance of new Shares (assuming the Anti-dilution Right is fully exercised) |         |
|--------|-------------------------------------|---------|--|---------|---|---------|
|        | Number of Shares                    | %       | Number of Shares   | %       | Number of Shares  | %       |
| ICBC   | 602,888,957                         | 57.53%  | 670,648,014  | 60.11%  | 670,648,014   | 59.75%  |
| GBH    | 94,317,000                          | 9.00%   | 94,317,000   | 8.45%   | 101,018,259   | 9.00%   |
| Public | 350,758,826                         | 33.47%  | 350,758,826  | 31.44%  | 350,758,826   | 31.25%  |
| Total  | 1,047,964,783                       | 100.00% | 1,115,723,840  | 100.00% | 1,122,425,099   | 100.00% |

Note: The number of Shares to be issued under the different scenarios above is calculated based on the Unaudited Consideration Value by reference to the unaudited net asset value of CMB as at 30 November 2004, and the above number of Shares is for reference only. Further announcement will be made as soon as practicable regarding the number of Shares to be issued to GBH in the event that GBH determines that it will exercise its Anti-dilution Right.

#### Information on CMB

CMB is a sino-foreign equity joint venture bank incorporated in the PRC on 23 June 1993 and its registered capital amounted to US\$85.3 million. As at the date of this announcement, ICBC, the controlling shareholder of the Company, and CITIC Ka Wah, an independent third party not connected with the Directors, substantial shareholders or the chief executive of the Company, its subsidiaries or any of their respective associates, own as to 75% and 25% of the equity interest of CMB respectively. The net profit before taxation and extraordinary item of CMB for the years ended 31 December 2002 and 2003 were US\$296,000 and US\$152,000 respectively. The net profit after taxation and extraordinary item of CMB for the years ended 31 December 2002 and 2003 were US\$152,000 and US\$128,000 respectively.

approximately 57.53% of the entire issued share capital of the Company and is a connected person of the Company for the purposes of the Listing Rules. The Acquisition is therefore a connected transaction of the Company under the Listing Rules and is conditional upon, among other things, the approval by the Independent Shareholders at the EGM to be convened for this purpose. ICBC and its associates will abstain from voting in the EGM to approve the Acquisition Agreement.

Based on the results of the calculations for the applicable percentage ratios as set out under Chapter 14 of the Listing Rules, the Acquisition therefore constitutes a discloseable transaction of the Company under the Listing Rules.

#### DESPATCH OF CIRCULAR

An Independent Board Committee comprising the independent non-executive Directors will be appointed to advise the Independent Shareholders as to whether the terms of the Acquisition Agreement are fair and reasonable so far as the Independent Shareholders are concerned. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Acquisition Agreement. A circular containing, among other things: (1) details of the terms of the Acquisition Agreement, (2) recommendation of the Independent Board Committee; (3) recommendation of the independent financial adviser; and (4) notice of EGM to be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Acquisition Agreement, will be despatched to the Shareholders as soon as practicable.

#### Definitions

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

|                                 |  |
|---------------------------------|--|
| "Acquisition"                   | the proposed acquisition of the entire equity interest of CMB by the Company pursuant to the Acquisition Agreement;  |
| "Acquisition Agreement"         | the sale and purchase agreement dated 30 December 2004 entered into between the Company, ICBC and CITIC Ka Wah;  |
| "Actual Consideration Value"    | the amount which equals to 1.1 times of the audited net asset value of CMB as at the Completion Date as determined by reference to the Completion Accounts;  |
| "Anti-dilution Right"           | the right of GBH to subscribe for Shares as described under the paragraph headed "Anti-dilution Right";  |
| "associate(s)"                  | has the meaning ascribed thereto under the Listing Rules;  |
| "CITIC Ka Wah"                  | CITIC Ka Wah Bank Limited, a company incorporated under the laws of Hong Kong;   |
| "CMB"                           | Chinese Mercantile Bank, a sino-foreign equity joint venture bank established under the laws of the PRC;   |
| "Company"                       | Industrial and Commercial Bank of China (Asia) Limited;  |
| "Completion"                    | completion of the Acquisition Agreement in accordance with its terms and conditions;   |
| "Completion Accounts"           | the audited completion accounts of CMB in respect of the period beginning on 1 January 2004 and ending on the Completion Date to be prepared in accordance with generally accepted accounting principles of the PRC together with certain adjustments as provided under the Acquisition Agreement; |
| "Completion Date"               | the date on which Completion takes place;  |
| "Consideration"                 | an amount in Hong Kong Dollars which equals to 1.1 times of the audited net asset value of CMB as at the Completion Date;  |
| "Consideration Shares"          | such number of new Shares as shall be allotted and issued by the Company to ICBC at Completion, determined by dividing (a) the Unaudited Consideration Value by (b) the Consideration Shares Price;  |
| "Consideration Shares Price"    | the higher of the closing price per Share on 30 December 2004 (being the date of the signing of the Acquisition Agreement) and the average closing price per Share for the 30 trading days up to the date of the signing of the Acquisition Agreement;   |
| "Directors"                     | the directors of the Company;  |
| "EGM"                           | the extraordinary general meeting (including any adjournment thereof) of the Company to be convened to approve the Acquisition Agreement;  |
| "GBH"                           | Generale Belgian Holding B.V., a company incorporated under the laws of the Netherlands and is wholly owned by Fortis Bank;  |
| "Group"                         | the Company, its subsidiaries and its associated companies from time to time;  |
| "HK\$"                          | Hong Kong Dollars, the lawful currency of Hong Kong;   |
| "Hong Kong"                     | Hong Kong Special Administrative Region of the PRC;  |
| "ICBC"                          | The Industrial and Commercial Bank of China, an enterprise established under the laws of the PRC;  |
| "ICBC Group"                    | ICBC, its branches, subsidiaries and its associated companies but excluding the Group;   |
| "Independent Board Committee"   | the committee consisting of independent non-executive Directors of the Company to be formed to advise the Independent Shareholders in respect of the terms of the Acquisition Agreement;   |
| "Independent Shareholders"      | the Shareholders excluding ICBC and its associates;  |
| "Listing Rules"                 | the Rules Governing the Listing of Securities on the Stock Exchange presently in force as at the date hereof;  |
| "PRC"                           | the People's Republic of China;  |
| "Share(s)"                      | ordinary share(s) of par value of HK\$2.00 each in the capital of the Company;   |
| "Shareholder(s)"                | holder(s) of the Share(s);   |
| "Stock Exchange"                | The Stock Exchange of Hong Kong Limited;   |
| "Unaudited Consideration Value" | an amount in Hong Kong Dollars which equals to 1.1 times of the unaudited net asset value of CMB determined by reference to the latest available management accounts prior to the date of Completion; and  |
| "US\$"                          | United States Dollars, the lawful currency of the United States of America, for the purpose of illustration only, translated into HK\$ at the rate of US\$1.00 to HK\$7.80;  |
| "Vendors"                       | ICBC and CITIC Ka Wah.   |

By Order of the Board  
**Zhu Qi**  
*Managing Director and Chief Executive Officer*

Hong Kong, 30 December 2004

As at the date of this announcement, the Board of Directors comprises Mr. Zhu Qi, Mr. Wang Yan and Mr. Wong Yuen Fai as executive directors, Dr. Jiang Jianqing, Ms. Wang Lili, Mr. Chen Aiping and Mr. Damis Jacobus Ziegls 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.