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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)

CONNECTED TRANSACTION

The Board of Directors is pleased to announce that, on 21 February 2006, the Company and ICBC entered into the Agreement pursuant to which the Company agreed to purchase from ICBC the following assets:

- (i) all of the Credit Card Receivables and the Instalment Loan Receivables of the Branch as at the Effective Time;
- (ii) all of the benefits under the Credit Card Agreements and Instalment Loan Agreements between the Branch and the cardholders, being agreements in relation to the Credit Card Receivables and the Instalment Loan Receivables, respectively; and
- (iii) the Ancillary Assets.

As at the date of the Agreement, ICBC, acting through the Branch, has in issue three types of Credit Cards comprising two Hong Kong Dollar single currency credit cards and one Dual Currency Credit Card. The Credit Card Receivables comprise of all the receivables in respect of the two Hong Kong Dollar single currency credit cards and all the receivables under the Hong Kong Dollar credit cards accounts in respect of the Dual Currency Credit Cards. After the Acquisition, ICBC will retain all the receivables under the Renminbi credit card accounts in respect of the Dual Currency Credit Cards.

The estimated amount of the consideration based on the Unaudited Management Accounts as at the Latest Practicable Date is approximately HK\$56,249,000.

As ICBC is the controlling shareholder of the Company, ICBC is a connected person of the Company for the purposes of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction for the Company under Rule 14A.13 of the Listing Rules. As each of the percentage ratios (other than the profits ratio) in respect of the Acquisition falls below 2.5%, the Acquisition is exempted from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules. The Company is only obliged to comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the Acquisition.

For the purposes of operating the Dual Currency Credit Cards after the Acquisition and data processing and storage, the Company will upon completion of the Acquisition enter into the Agency Agreement and the Service Levels Agreement with ICBC. As each of the percentage ratios (other than the profits ratio) in respect of the annual consideration receivable or payable by the Company under each of the Agency Agreement and the Service Levels Agreement falls below 0.1%, the Agency Agreement and the Service Levels Agreement are exempted from reporting, announcement and independent shareholders' approval requirements.

THE AGREEMENT

Date

21 February 2006

Parties

Vendor: ICBC, the controlling shareholder and a connected person of the Company under the Listing Rules

Purchaser: the Company

The Acquisition

The Agreement provides for the purchase by the Company from ICBC of the following:

1. the Credit Card Receivables and Instalment Loan Receivables as at the Effective Time;
2. all of the benefits under the Credit Card Agreements and the Instalment Loan Agreements between the Branch and the cardholders; and
3. the Ancillary Assets.

As at the date of the Agreement, ICBC has in issue three types of Credit Cards comprising two Hong Kong Dollar single currency credit cards and one Dual Currency Credit Card. The Credit Card Receivables comprise of all the receivables in respect of the two Hong Kong Dollar single currency credit cards and all the receivables under the Hong Kong Dollar credit card accounts in respect of the Dual Currency Credit Cards. After the Acquisition, ICBC will

retain all the receivables under the Renminbi credit card accounts in respect of the Dual Currency Credit Cards. At Completion, ICBC will assign its obligations under the Credit Card Agreements and the Instalment Loan Agreements subsisting at the Effective Time to the Company subject to the consent of the cardholders.

Following Completion, the Company will own and operate the Hong Kong Dollar accounts under, and issue, the Credit Cards.

Conditions

Completion of the Acquisition is subject to the satisfaction or, where appropriate, waiver, of each of the following conditions by 26 March 2006:

1. the obtaining by the Company of the consent of the Hong Kong Monetary Authority (if required) to enter into the transactions contemplated hereunder;
2. the novation of certain third party contracts with effect from or before the Effective Time from the Branch to the Company or the termination of the third party contracts;
3. the Company having entered into an agreement with Visa International Services Association pursuant to which the Company will assume obligations for the settlement with Visa International Services Association of transactions made under the Hong Kong Dollar credit card accounts to be maintained with the Company in respect of the Credit Cards effected after the Effective Time;
4. the Company having obtained consent (if required) from Visa International Services Association and 中國銀聯股份有限公司 (China UnionPay Joint Stock Co., Ltd.) for the implementation of the transactions contemplated in the Agreement and the Agency Agreement;
5. all representations and warranties given by ICBC to the Company remaining true, complete and accurate in all respects at Completion; and
6. a notice of the proposed transfer and the agreed sets of the revised customer terms and conditions having been duly despatched to each cardholder and no less than 30 days having lapsed from the date of due service of such documents.

Consideration and payment of purchase price

The total consideration for the Acquisition shall be the aggregate of:

1. the total of the book value of the Credit Card Receivables and the Instalment Loan Receivables denominated in Hong Kong Dollars as at the Effective Time, net of the aggregate amount of the credit balances standing in the Hong Kong Dollar credit card accounts;
2. the book value of the Equipment as at the date of Completion;
3. the book value of the Gifts as at the Effective Time; and

4. HK\$1,000,000 being the consideration representing the commercial goodwill of the Credit Card business;

LESS

5. the value of ICBC's obligation in respect of bonus points accumulated in respect of the Credit Cards as at the Effective Time calculated based on formula previously and consistently adopted by the Branch in respect thereof; and

LESS

6. the total accumulated amount of provision for impairment made by the Branch in respect of the Credit Card Receivables and the Instalment Loan Receivables up to the Effective Time.

The amount of the consideration for the Acquisition was determined after arm's length negotiation between the Company and ICBC. Subject to the below, the purchase price for the Credit Card Receivables, Instalment Loan Receivables, Equipment and Gifts are based on their respective book values less applicable deductions as shown above. The adoption of net book values as the basis for the amount of the purchase price for the above assets was made after negotiation between the parties. The amount of the consideration representing the commercial goodwill was also determined after arm's length negotiation between the Company and ICBC. In reaching the amount, the Company has taken into account the fact that the purchase prices for the Credit Card Receivables, the Instalment Loan Receivables, the Equipment and the Gifts are based on their respective net book values. The Company considered that a commercial goodwill of HK\$1,000,000 which represents a premium over the net book values of the assets is justified after considering factors such as the market reputation generated in respect of the Credit Cards, the number of existing customers, the investment made by the Branch developing the Credit Cards, the uniqueness of the combining the features of an ordinary Hong Kong Dollar credit card and a Renminbi credit card to the Dual Currency Credit Card in Hong Kong, the number of Credit Cards in issue, the value of the receivables and their potential growth. For further information relating to the size of the portfolio and the value of the various assets, please refer to the section headed "Financial Information relating to the Credit Card Receivables, Instalment Loan Receivables etc".

The estimated amount of the consideration based on the Unaudited Management Accounts as at the Latest Practicable Date is approximately HK\$56,249,000. At completion, the Company will pay ICBC the estimated consideration. The Agreement contains provisions relating to the determination of the consideration payable by the Company by reference to the amounts referred under items 1, 2, 3, 5 and 6 above as stated in the Unaudited Management Accounts as at the Effective Time. Subject to such determination, the Company will be obliged to pay to ICBC any shortfall, and ICBC will be obliged to pay to the Company any excess, which the final consideration as so determined bears in relation to the estimated consideration paid. It is expected that the final settlement of the consideration will take place no later than 120 business days after the date of Completion. The purchase price is expected to be funded by internal resources of the Company. The Company will make a further announcement after final settlement.

As part of the overall transaction, the Company will provide various services to ICBC under the Agency Agreement at no additional fee. Please refer to the paragraph headed “The Agency Agreement” below for further details.

Other key terms

The Agreement also provides for the following:

1. the Branch will cease to issue any new Credit Cards;
2. after Completion, the Branch will cease to continue its payment acquiring services which services are expected to be continued by the Company; and
3. ICBC has undertaken not, for a period of 2 years from Completion, to engage, or otherwise be interested, in a business in Hong Kong which competes against the credit card business of the Company other than the issue of credit cards which enable the holders thereof to make purchases or other transactions in Renminbi.

THE AGENCY AGREEMENT

Under the Agreement, upon Completion, the Company and ICBC will enter into the Agency Agreement under which ICBC will appoint the Company to act as its agent, and engage the Company to provide certain services, in relation to the Renminbi credit card accounts maintained by the holders of the Dual Currency Credit Cards which will be retained by ICBC for a term of 3 years commencing from the date of Completion of the Acquisition. The types of services include:

1. processing and accepting applications for the opening of Renminbi credit card accounts;
2. promotion of the Dual Currency Credit Cards;
3. opening and maintaining of the relevant Renminbi credit card accounts in its system;
4. payment handling and collection services; and
5. customers’ inquiry services.

Each Dual Currency Credit Card consists of a Hong Kong Dollar credit card account and Renminbi credit card account. As ICBC will be retaining the ownership of the Renminbi credit card accounts and they are an important feature of the Dual Currency Credit Card, the Company believes that, by virtue of the Agency Agreement, it will obtain greater control over the operation and maintenance of the Renminbi credit card accounts. It is expected that the Agency Agreement will therefore enhance the overall quality and marketing of the Dual Currency Credit Card and enable the Company to provide centralised, effective and efficient services to customers. As a result, no additional fee will be charged by the Company.

THE SERVICE LEVELS AGREEMENT

In addition, under the Agreement, the Company and ICBC will also enter into the Service Levels Agreement at Completion of the Agreement under which the Company engages ICBC to provide data storage and processing services in relation to data in connection with the Credit Cards and other credit cards issued by the Company. The term of the Service Levels Agreement will commence upon signing and expire on 31 December 2008. The Company will pay a total sum of HK\$400,000 per year to ICBC being its operational costs and other related expenses.

FINANCIAL INFORMATION RELATING TO THE CREDIT CARD RECEIVABLES, INSTALMENT LOAN RECEIVABLES ETC

As at the Latest Practicable Date, according to Unaudited Management Accounts, the Branch has in issue a total of approximately 105,000 Credit Cards and the total book values of the Credit Card Receivables and Instalment Loan Receivables amount to approximately HK\$49,011,000 and HK\$5,871,000, respectively. As at the Latest Practicable Date, according to Unaudited Management Accounts, the book values of the Equipment and Gifts amount to approximately HK\$2,537,000 and HK\$3,478,000, respectively. As at the Latest Practicable Date, the provisions made in relation to ICBC's obligations to the cardholders in respect of their bonus points accumulated under the Credit Cards accounts outstanding amount to approximately HK\$906,000 and provision for impairment made by the Branch in respect of the Credit Cards Receivables and the Instalment Loan Receivables amount to approximately HK\$4,742,000.

REQUIREMENTS OF THE LISTING RULES

As ICBC is the controlling shareholder of the Company, ICBC is a connected person of the Company for the purposes of the Listing Rules. Accordingly, the Agreement and the Acquisition constitute a connected transaction, and each of the Agency Agreement and the Service Levels Agreement constitutes a continuing connected transaction, for the Company within the meaning of the Listing Rules.

As each of the percentage ratios (other than the profits ratio) in respect of the Acquisition falls below 2.5%, the Acquisition is exempted from the independent shareholders' approval requirement under Rule 14A.32 of the Listing Rules. The Company is only obliged to comply with the reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the Acquisition.

As each of the percentage ratios (other than the profits ratio) in respect of the annual consideration receivable or payable by the Company under each of the Agency Agreement and the Service Levels Agreement falls below 0.1%, the Agency Agreement and the Service Levels Agreement are exempted from reporting, announcement and independent shareholders' approval requirements.

REASONS FOR ENTERING INTO THE AGREEMENT

The Company believes the Acquisition will enable it to further develop and expand its existing credit card business and will broaden the Company's revenue base. The Company anticipates that it will be able to benefit from the resulting economies of scale of the expanded credit card business. In addition, the provision of credit card services is part of the Company's objective to provide a more comprehensive and diversified banking service to its customers by being able to issue (in co-operation with ICBC) credit cards with dual currency capability.

The Agreement was entered into on normal commercial terms following arm's length negotiations between the Company and ICBC. The Directors (including the independent non-executive directors) consider that the Agreement, the consideration for the Acquisition and the terms thereof are on normal commercial terms, are fair and reasonable and that the Acquisition is in the interest of the Company and its shareholders as a whole.

INFORMATION ON THE COMPANY AND ICBC

The Company is a licensed bank incorporated in Hong Kong 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 in Hong Kong. As at the date of this announcement, the Company has 41 retail branches, 5 business centres and 1 wealth management centre 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.

ICBC is a joint stock bank established under the laws of the PRC. ICBC is one of the largest commercial banks in the PRC and has branches through out the country. ICBC is principally engaged in commercial, retail and corporate banking business in the PRC. ICBC has also established various branches/entities in different parts of the world, including the Branch in Hong Kong. After the Acquisition, the Branch is expected to mainly focus on commercial banking business in Hong Kong.

DEFINITIONS

“Acquisition”	the acquisition of, amongst other things, the Credit Card Receivables and the Instalment Loan Receivables contemplated under the Agreement;
“Agency Agreement”	the agency agreement proposed to be entered into between ICBC and the Company at Completion of the Agreement;
“Agreement”	the sale and purchase agreement dated 21 February 2006 in relation to the Acquisition;
“Ancillary Assets”	the Equipment, the benefit to use certain data processing related software programs used by ICBC which are owned by parties independent from ICBC and the Gifts;

“Branch”	the Hong Kong branch of ICBC, which is a licensed bank in Hong Kong and is registered with the Companies Registry as a company incorporated outside Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Company”	Industrial and Commercial Bank of China (Asia) Limited;
“Completion”	the completion of the Acquisition under the Agreement;
“Credit Cards”	two Hong Kong Dollar single currency credit cards, being the Xplore Visa cards and the Yan Oi Tong Visa cards, and one Hong Kong Dollar and Renminbi dual currency credit card, being the Dual Currency Credit Card;
“Credit Card Agreements”	the card-member agreements entered into between the holders of the Credit Cards and the Branch governing the Credit Cards;
“Credit Card Receivables”	the amounts owing by the holders of the Credit Cards to the Branch arising from transactions made with the Credit Cards which are recorded in relevant Hong Kong Dollar credit card accounts;
“Directors”	the directors of the Company;
“Dual Currency Credit Cards”	the ICBC Hong Kong Dollar and Renminbi dual currency credit cards;
“Effective Time”	12:00am subsequent to the date of Completion of the Agreement;
“Equipment”	certain equipment used by the Branch in connection with the operation and maintenance of the Credit Cards business;
“Gifts”	the Credit Cards’ gift items to be given to the cardholders by the Branch according to its internal policies;
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong;
“ICBC”	Industrial and Commercial Bank of China Limited, a joint stock bank established under the laws of the PRC;

“Instalment Loan Agreements”	the loan agreements entered into between holders of the Credit Cards and ICBC in connection with transactions made with a Credit Card for which repayment is to be made by the holders by instalments through the relevant Hong Kong Dollar credit card accounts;
“Instalment Loan Receivables”	the amounts owing by the holders of the Credit Cards under the Instalment Loan Agreements (other than Credit Card Receivables);
“Latest Practicable Date”	31 December 2005, being the latest practicable date before this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Taiwan, Hong Kong and Macau;
“Renminbi”	Renminbi, the lawful currency of the PRC;
“Service Levels Agreement”	the service levels agreement proposed to be entered into between ICBC and the Company at Completion of the Agreement;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Unaudited Management Accounts”	the unaudited management accounts of the Branch prepared in accordance with Hong Kong Financial Reporting Standards and accounting principles generally accepted in Hong Kong.

By Order of the Board
Cheng Pui Ling, Cathy
Company Secretary

Hong Kong, 21 February 2006

As at the date of this announcement, the Board of Directors 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.