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BANK OF CHINA

中國銀行股份有限公司

BANK OF CHINA LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Codes: 3988 and 4601 (Preference Shares))



中銀香港(控股)有限公司

BOC HONG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2388)

JOINT ANNOUNCEMENT

DISCLOSEABLE TRANSACTION FOR BANK OF CHINA LIMITED AND MAJOR TRANSACTION FOR BOC HONG KONG (HOLDINGS) LIMITED IN RELATION TO THE DISPOSAL OF ALL THE ISSUED SHARES OF NANYANG COMMERCIAL BANK, LIMITED

Joint Financial Advisers to BOCHK (Holdings)



BOC INTERNATIONAL

BOCI Asia Limited

**Goldman
Sachs**

Goldman Sachs (Asia) L.L.C.

The respective boards of directors of Bank of China and BOCHK (Holdings) are pleased to announce that on the date of this joint announcement, BOCHK (as seller), a direct wholly-owned subsidiary of BOCHK (Holdings) and in turn an indirect subsidiary of Bank of China, has entered into the Sale and Purchase Agreement with Cinda Financial (as buyer) and Cinda HK (as buyer's guarantor) in relation to the Proposed Disposal.

As one or more of the relevant percentage ratios for Bank of China under Chapter 14 of the Listing Rules exceeds 5% but less than 25%, the Proposed Disposal constitutes a discloseable transaction for Bank of China under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As one or more of the relevant percentage ratios for BOCHK (Holdings) under Chapter 14 of the Listing Rules exceeds 25% but less than 75%, the Proposed Disposal constitutes a major transaction for BOCHK (Holdings) under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the board of directors of BOCHK (Holdings), no shareholder of BOCHK (Holdings) is required to abstain from voting at a general meeting of BOCHK (Holdings) to be convened for the approval of the Proposed Disposal, the Sale and Purchase Agreement and any transactions contemplated thereunder. Accordingly, BOCHK (Holdings) on 17 December 2015 obtained a written shareholder's approval from its immediate holding company, namely BOC (BVI), which directly holds 6,998,735,756 shares in BOCHK (Holdings) as at the date of this joint announcement (representing approximately 66.20% of the total number of shares in issue of BOCHK (Holdings)), for approving the Proposed Disposal and the Sale and Purchase Agreement in lieu of holding a general meeting of BOCHK (Holdings) as permitted according to Rule 14.44 of the Listing Rules.

A circular containing, amongst other things, further details of the Proposed Disposal and the Sale and Purchase Agreement, will be despatched by BOCHK (Holdings) to its shareholders on or before 31 December 2015 in compliance with Rule 14.60(7) of the Listing Rules.

As the completion of the Proposed Disposal is subject to the satisfaction of the conditions precedent stated in the Sale and Purchase Agreement, the Proposed Disposal may or may not proceed to Completion. Accordingly, shareholders and potential investors of Bank of China and BOCHK (Holdings) are advised to exercise caution when dealing in the securities of Bank of China and BOCHK (Holdings), respectively.

INTRODUCTION

Reference is made to the joint announcements made by Bank of China and BOCHK (Holdings) on 21 May 2015 and 14 July 2015; and the announcements made by BOCHK (Holdings) on 26 August 2015 and 15 September 2015 in respect of the Proposed Disposal conducted by way of the Bidding Process.

The respective boards of directors of Bank of China and BOCHK (Holdings) are pleased to announce that on the date of this joint announcement, BOCHK (as seller) entered into the Sale and Purchase Agreement with Cinda Financial (as buyer) and Cinda HK (as buyer's guarantor) in relation to the Proposed Disposal. Cinda Financial had been confirmed by CFAE as the only qualified bidder in the Bidding Process and was invited to enter into negotiations with BOCHK on the terms of the Proposed Disposal in accordance with the procedures, rules and requirements published on the website of CFAE on 15 July 2015.

PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Date: 18 December 2015

Parties:

Seller: BOCHK

Buyer: Cinda Financial

Buyer's guarantor: Cinda HK

Assets agreed to be disposed of

The 7,000,000 issued ordinary shares, representing all the issued shares of NCB as at the date of this joint announcement.

Consideration

The total consideration for the Proposed Disposal is HK\$68,000,000,000.

The Consideration will be paid in full by Cinda Financial to BOCHK on the Completion Date in immediately available funds in Hong Kong dollars. The Consideration was the listing price of HK\$68,000,000,000 on the CFAE, which was determined with reference to various relevant factors, including (i) the net asset value of NCB and the price-to-book multiples achieved in similar transactions in the Hong Kong banking sector; (ii) scarcity value of banking licences in Hong Kong and China; (iii) future development prospects of NCB and NCB China; and (iv) potential synergies between NCB and the Cinda Group.

Conditions precedent

Completion of the Proposed Disposal is conditional upon the satisfaction of the following conditions precedent set out in the Sale and Purchase Agreement:

- (a) Cinda Financial and any holding company or other controller of it having been approved, or not having been objected to within the relevant period by the HKMA as a majority shareholder controller (as such term is defined in the Banking Ordinance) of NCB under section 70 of the Banking Ordinance and the chief executive and directors of NCB which Cinda Financial proposes to appoint on Completion having been approved by the HKMA under section 71 of the Banking Ordinance;
- (b) the Proposed Disposal having been approved by the China Banking Regulatory Commission, and Cinda Financial having completed the foreign exchange registration of outbound investment with the PRC State Administration of Foreign Exchange in relation to the Proposed Disposal;
- (c) the Proposed Disposal, which constitutes a major transaction for Cinda Asset Management under the Listing Rules, having been approved by the shareholders of Cinda Asset Management; and
- (d) if required under the Listing Rules, the Proposed Disposal having been approved by the shareholders of BOCHK (Holdings) as permitted under the Listing Rules.

If the above conditions precedent have not been satisfied on or before 11:59 p.m. on the Long Stop Date, then the Sale and Purchase Agreement shall terminate automatically with immediate effect.

As of the date of this joint announcement, save for the condition precedent set out in (d) above (which has been satisfied by way of written shareholder's approval from BOC (BVI)), all the other conditions precedent set out above remain to be satisfied.

Break fee

If Completion does not take place and the Sale and Purchase Agreement is terminated pursuant to its terms due to the non-satisfaction of the conditions precedent set out in either paragraph (a) or (b) above by the Long Stop Date, Cinda Financial shall pay to BOCHK an amount equal to 1.5% of the Consideration in immediately available funds in Hong Kong dollars by no later than five Business Days after the termination of the Sale and Purchase Agreement.

Forfeiture or return of the Cash Deposit and Performance Bond

Pursuant to the Sale and Purchase Agreement:

- (a) BOCHK shall be entitled to forfeit and retain the Cash Deposit in full and any of its accrued interest and call on the full amount of the Performance Bond, upon the non-satisfaction of the condition precedent set out in paragraph (c) above by the Long Stop Date, or as a result of the failure of Cinda Financial to pay the Consideration in full at Completion;
- (b) if (A) Completion does not take place due to any reasons other than those (i) relating to non-satisfaction of any of the conditions precedent set out in paragraphs (a) to (c) above; or (ii) as a result of the failure of Cinda Financial to pay the Consideration in full at Completion; or (iii) relating to the occurrence of any circumstances under which the Cash Deposit and the Performance Bond shall be forfeited pursuant to a letter of undertaking provided by Cinda Financial in favour of BOCHK and CFAE in relation to the Proposed Disposal, or (B) Completion does not take place or is not capable of taking place as a result of any applicable law prohibiting BOCHK or Cinda Financial from completing the Proposed Disposal, BOCHK (in the case of (A)) or BOCHK and Cinda Financial (in the case of (B)) shall arrange for CFAE to return the Cash Deposit and any of its accrued interest to Cinda Financial and shall return the Performance Bond; and
- (c) if Completion takes place in accordance with the Sale and Purchase Agreement, the parties shall send a joint notice to CFAE on the Completion Date instructing the return of the Cash Deposit and any of its accrued interest to Cinda Financial.

Pre-Completion undertakings

Pursuant to the Sale and Purchase Agreement, BOCHK has undertaken that it shall procure that each of NCB and NCB China will, amongst other things, carry on its business in the ordinary and usual course in all material respects between the date of the Sale and Purchase Agreement and the Completion Date.

Completion

Subject to the satisfaction of the conditions precedent in the Sale and Purchase Agreement, Completion will take place on the Completion Date. Upon Completion, Cinda Financial will own all the issued shares of NCB and NCB will cease to be a subsidiary of both Bank of China and BOCHK (Holdings).

Post-Completion arrangements

BOCHK, NCB and Cinda Financial will enter into a transitional services agreement on the Completion Date, pursuant to which BOCHK will provide certain transitional support, IT and other assistance to NCB and NCB China at service charges mutually agreed for a term of three years from the Completion Date (which may be extended to four years at the election of Cinda Financial) to facilitate the smooth transition. Representatives of BOCHK and Cinda Financial will form a preparatory committee to prepare for the implementation of the transitional services agreement.

INFORMATION ON NCB

Overview

NCB is a commercial bank with its principal operations and branches in Hong Kong and China. It offers a comprehensive range of personal and commercial banking services to its retail and corporate customers, respectively.

NCB has a wholly-owned subsidiary in the PRC, NCB China, which is a commercial bank operating in the PRC.

Financial Information

The audited net asset value of NCB as at 30 September 2015 was HK\$36,667,781,000.

The audited net profit before and after tax of NCB for the two financial years ended 31 December 2013 and 31 December 2014 and the nine months ended 30 September 2015 are as follows:

	For the Year Ended 31 December 2013 <i>(thousand)</i>	For the Year Ended 31 December 2014 <i>(thousand)</i>	For the Nine Months Ended 30 September 2015 <i>(thousand)</i>
Net profit before tax	HK\$3,359,210	HK\$3,366,679	HK\$2,617,867
Net profit after tax	HK\$2,828,657	HK\$2,751,499	HK\$2,188,343

INFORMATION ON THE PARTIES

Bank of China and its subsidiaries, as China's most international and diversified bank, provide a comprehensive range of corporate banking, personal banking, treasury operations, investment banking, insurance and other services to its customers in China, Hong Kong, Macau and Taiwan as well as other localities.

BOCHK (Holdings) is an investment holding company and its subsidiaries are principally engaged in the provision of banking and financial services in Hong Kong.

BOCHK is a locally incorporated licensed bank and is one of the three note issuing banks in Hong Kong and also the clearing bank for RMB business in Hong Kong.

Cinda Financial is an indirect wholly-owned subsidiary of Cinda Asset Management. The Cinda Group is principally engaged in distressed asset management and provision of customised financial solutions and differentiated asset management services to its clients through the synergistic operation of its diversified business platforms.

Cinda HK is a direct wholly-owned subsidiary of Cinda Asset Management and it is principally engaged in offshore asset management business and provision of offshore financial services.

As at the date of this joint announcement, to the best knowledge, information and belief of the respective boards of directors of Bank of China and BOCHK (Holdings) and having made all reasonable enquiries, Cinda Financial and Cinda HK and their respective ultimate beneficial owners are third parties independent of either Bank of China or BOCHK (Holdings) (as the case may be) or their respective connected persons.

FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

Bank of China expects to derive a gain before taxation of approximately HK\$39,202 million as a result of the Proposed Disposal, which is calculated based on the surplus of the Consideration over the net asset value of NCB as at 31 December 2014, together with the reclassification of the related cumulative translation exchange and revaluation reserve.

BOCHK (Holdings) expects to derive a gain before taxation of approximately HK\$34,027 million as a result of the Proposed Disposal, which is calculated based on the surplus of the Consideration over the net asset value of NCB as at 31 December 2014, together with the reclassification of the related cumulative translation exchange and revaluation reserve.

The actual gain to be recognised in the consolidated income statement of Bank of China and BOCHK (Holdings), respectively, could be different from the estimated gain disclosed above owing to, amongst others, (i) the taxes to be incurred on the Proposed Disposal; (ii) change in the net asset value of NCB from 31 December 2014 to the Completion Date; (iii) changes in the cumulative translation exchange and revaluation reserve from 31 December 2014 to the Completion Date; and (iv) the professional charges and expenses arising from the Proposed Disposal for engaging, amongst others, financial, legal and accounting advisors.

The Proposed Disposal is estimated to increase BOCHK's CET1 capital ratio, Tier 1 capital ratio and the total capital ratio by approximately 8.00pp, 8.02pp and 8.56pp, respectively, based on BOCHK's published consolidated financial statements for the year ended 31 December 2014. As at 31 December 2014, BOCHK's CET1 capital ratio, Tier 1 capital ratio and total capital ratio were 12.30%, 12.38% and 17.51%, respectively.

The BOCHK (Holdings) Group intends to apply the net sale proceeds from the Proposed Disposal in the following manner: (i) to enhance the capital position of BOCHK so as to better position BOCHK for sustainable growth in Hong Kong; (ii) to expand into the ASEAN region and capitalise on the Renminbi internationalisation and the "One Belt One Road" initiative; and (iii) for other purposes as the board of directors of BOCHK (Holdings) and/or BOCHK may consider appropriate, taking into account the strategic objectives of the BOCHK (Holdings) Group, targeted business growth of the BOCHK (Holdings) Group, regulatory requirements, market conditions and the aim of delivering sustainable long-term value to the shareholders of BOCHK (Holdings).

REASONS FOR AND BENEFITS OF THE PROPOSED DISPOSAL

The Proposed Disposal represents a strategic move for the long term development of the Bank of China Group and the BOCHK (Holdings) Group. The respective boards of directors of Bank of China and BOCHK (Holdings) believe that the Proposed Disposal will enhance the financial strength of both the Bank of China Group and the BOCHK (Holdings) Group while unleashing the maximum potential of NCB. The Consideration represents a premium over the net asset value of NCB. The resultant increase in the cash resources from the Proposed Disposal will enhance the capital position of both the Bank of China Group and the BOCHK (Holdings) Group and will further facilitate the development of the business in the ASEAN region.

The board of directors of Bank of China also believes that the Proposed Disposal will further facilitate the development of the Bank of China Group's business, accelerate the enhancement of customer service, product innovation and marketing capability and competitive edge of the Bank of China Group in the ASEAN region and will be consistent with the long term development strategy of the Bank of China Group as a whole in the ASEAN region.

The directors of Bank of China believe that the terms of the Proposed Disposal are fair and reasonable and in the interests of the shareholders of Bank of China as a whole.

The directors of BOCHK (Holdings) believe that the terms of the Proposed Disposal are fair and reasonable and in the interests of the shareholders of BOCHK (Holdings) as a whole.

LISTING RULES IMPLICATIONS

As one or more of the relevant percentage ratios for Bank of China under Chapter 14 of the Listing Rules exceeds 5% but less than 25%, the Proposed Disposal constitutes a discloseable transaction for Bank of China under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

As one or more of the relevant percentage ratios for BOCHK (Holdings) under Chapter 14 of the Listing Rules exceeds 25% but less than 75%, the Proposed Disposal constitutes a major transaction for BOCHK (Holdings) under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the board of directors of BOCHK (Holdings), no shareholder of BOCHK (Holdings) is required to abstain from voting if a general meeting of BOCHK (Holdings) were to be convened for the approval of the Proposed Disposal, the Sale and Purchase Agreement and any transactions contemplated thereunder. Accordingly, BOCHK (Holdings) on 17 December 2015 obtained a written shareholder's approval from the immediate holding company of BOCHK (Holdings), namely BOC (BVI), which directly holds 6,998,735,756 shares in BOCHK (Holdings) as at the date of this joint announcement (representing approximately 66.20% of the total number of shares in issue of BOCHK (Holdings)), for approving the Proposed Disposal in lieu of holding a general meeting of BOCHK (Holdings), as permitted according to Rule 14.44 of the Listing Rules.

A circular containing, amongst other things, further details of the Proposed Disposal and Sale and Purchase Agreement, will be despatched by BOCHK (Holdings) to its shareholders on or before 31 December 2015 in compliance with Rule 14.60(7) of the Listing Rules.

GENERAL

The respective boards of directors of Bank of China and BOCHK (Holdings) wish to emphasize that the completion of the Proposed Disposal is subject to the satisfaction of the conditions precedent as set out in this joint announcement. Bank of China and BOCHK (Holdings) will make further announcement(s) with regard to the Proposed Disposal in compliance with the Listing Rules as and when appropriate or required.

As the completion of the Proposed Disposal is subject to the satisfaction of the conditions precedent stated in the Sale and Purchase Agreement, the Proposed Disposal may or may not proceed to Completion. Accordingly, shareholders and potential investors of Bank of China and BOCHK (Holdings) are advised to exercise caution when dealing in the securities of Bank of China and BOCHK (Holdings), respectively.

DEFINITIONS

In this joint announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“ASEAN”	means the Association of Southeast Asian Nations
“Bank of China”	means Bank of China Limited, a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Stock Exchange (Stock Codes: 3988 and 4601 (Preference Shares)) and the Shanghai Stock Exchange (Stock Code: 601988)
“Bank of China Group”	means Bank of China and its subsidiaries
“Banking Ordinance”	means the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended from time to time
“Bidding Process”	means the public bidding process conducted via CFAE
“BOC (BVI)”	means BOC Hong Kong (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability, the immediate holding company of BOCHK (Holdings) and an indirect wholly-owned subsidiary of Bank of China
“BOCHK”	means Bank of China (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a licensed bank in Hong Kong
“BOCHK (Holdings)”	means BOC Hong Kong (Holdings) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 2388)
“BOCHK (Holdings) Group”	means BOCHK (Holdings) and its subsidiaries
“Business Day”	means a day other than a Saturday or Sunday or public holiday in Hong Kong or the PRC

“Cash Deposit”	means a cash deposit in the amount of HK\$3,400,000,000 which was paid by Cinda Financial and received on 17 September 2015 in the escrow account maintained by the CFAE
“CET1”	means Common Equity Tier 1
“CFAE”	means Beijing Financial Assets Exchange (北京金融資產交易所)
“Cinda Asset Management”	means China Cinda Asset Management Co., Ltd., a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 1359)
“Cinda Financial”	means Cinda Financial Holdings Co., Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of Cinda Asset Management
“Cinda Group”	means Cinda Asset Management and its subsidiaries
“Cinda HK”	means China Cinda (HK) Holdings Company Limited, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of Cinda Asset Management
“Completion”	means completion of the Proposed Disposal in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	means the date which is ten (10) Business Days after the date on which the last of the conditions precedent set out in the Sale and Purchase Agreement to be satisfied is satisfied (such date not being later than the Long Stop Date), or such other date as may be agreed in writing amongst BOCHK, Cinda Financial and Cinda HK
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	means the total consideration in the amount of HK\$68,000,000,000 payable by Cinda Financial to BOCHK for the Proposed Disposal under the Sale and Purchase Agreement
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong
“HKMA”	means the Hong Kong Monetary Authority
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	means 30 June 2016, or such other date as BOCHK, Cinda Financial and Cinda HK may agree in writing

“NCB”	means Nanyang Commercial Bank, Limited, a company incorporated in Hong Kong with limited liability and a licensed bank in Hong Kong
“NCB China”	means Nanyang Commercial Bank (China) Limited, a company established in the PRC and a wholly-owned subsidiary of NCB, which is a licensed bank in the PRC
“Performance Bond”	means a payment on demand performance bond for the amount of HK\$6,800,000,000 issued by China Construction Bank Corporation, Hong Kong Branch in favour of BOCHK dated 15 September 2015
“pp”	means percentage points
“PRC” or “China”	means the People’s Republic of China, which for the purposes of this joint announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Proposed Disposal”	means the proposed sale and purchase of all the issued shares of NCB in accordance with the terms and conditions of the Sale and Purchase Agreement
“Sale and Purchase Agreement”	means the Sale and Purchase Agreement entered into amongst BOCHK, Cinda Financial and Cinda HK on 18 December 2015 in relation to the Proposed Disposal
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

By order of the board of directors of
Bank of China Limited
 GENG Wei
*Secretary to the Board of Directors and
 Company Secretary*

By order of the board of directors of
BOC Hong Kong (Holdings) Limited
 CHAN Chun Ying
Company Secretary

Hong Kong, 18 December 2015

As at the date of this joint announcement, the directors of Bank of China comprise Tian Guoli, Chen Siqing, Zhang Xiangdong, Zhang Qi*, Wang Yong*, Wang Wei*, Liu Xianghui*, Li Jucui*, Chow Man Yiu, Paul**, Jackson Tai**, Nout Wellink**, Lu Zhengfei** and Leung Cheuk Yan**.*

As at the date of this joint announcement, the directors of BOCHK (Holdings) comprise Tian Guoli, Chen Siqing*, Yue Yi, Ren Deqi*, Gao Yingxin*, Xu Luode*, Li Jiuzhong, Cheng Eva**, Koh Beng Seng**, Shan Weijian** and Tung Savio Wai-Hok**.*

* *Non-executive directors*

** *Independent non-executive directors*