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**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)*  
**(the "Bank")**  
**(Stock Code: 3988)**

**ANNOUNCEMENT**

**Acquisition of Shares in LCFR**

**SUMMARY**

The Board hereby announces that on 18 September 2008, the Bank entered into the Investor Agreement with CFSH and LCFR whereby the Bank has agreed to acquire 20% Shares of the enlarged share capital of LCFR at a total consideration of EUR236,270,842.68 (approximately HK\$2,614,738,535). The Transaction will be effected by (i) subscription of 663,268 new Shares issued and allotted by LCFR (representing 10.70% of LCFR's enlarged share capital) and (ii) purchase of 577,064 Shares held by CFSH (or another entity in CFSH's group) (representing 9.30% of LCFR's enlarged share capital). Furthermore, as part of the Investor Agreement, the Bank and LCFR have agreed on the Business Cooperation Framework to govern the future business cooperation between them. In addition, on the same date as the execution of the Investor Agreement, the Bank and CFSH entered into the Shareholders Agreement, which shall become effective upon Completion of the Transaction and shall govern the ongoing shareholder relationship between the Bank and CFSH.

**INTRODUCTION**

The Board hereby announces that on 18 September 2008, the Bank entered into the Investor Agreement with CFSH and LCFR whereby the Bank has agreed to acquire 20% Shares of the enlarged share capital of LCFR at a total consideration of EUR236,270,842.68 (approximately HK\$2,614,738,535). The Transaction will be effected by (i) subscription of 663,268 new Shares issued and allotted by LCFR (representing 10.70% of LCFR's enlarged share capital) and (ii) purchase of 577,064 Shares held by CFSH (or another entity in CFSH's group) (representing 9.30% of LCFR's enlarged share capital). Furthermore, as part of the Investor Agreement, the Bank and LCFR have agreed on the Business Cooperation Framework to govern the future business cooperation between them. In addition, on the same date as the execution of the Investor Agreement, the Bank and CFSH entered into the Shareholders Agreement, which shall become effective upon Completion of the Transaction and shall govern the ongoing shareholder relationship between the Bank and CFSH.

## RELEVANT AGREEMENTS

### 1. INVESTOR AGREEMENT

**Date:** 18 September 2008

**Parties:** the Bank

CFSH

LCFR

#### **Subscription Shares and Sale Shares:**

The Bank has agreed to subscribe for 663,268 new Shares issued and allotted by LCFR (representing 10.70% of LCFR's enlarged share capital) (the **Subscription Shares**). The Bank has further agreed to purchase from CFSH (or another entity in CFSH's group) 577,064 Shares that CFSH purchased from CDPQ prior to Completion (representing 9.30% of LCFR's enlarged share capital) (the **Sale Shares**). Following the acquisition of the Subscription Shares and the Sale Shares, the Bank will hold 20.00% of LCFR's enlarged share capital in total.

#### **Conditions precedent:**

The following conditions precedent, among others, shall be satisfied or waived by 31 December 2008 (the **Longstop Date**):

- (a) CFSH (or another entity in CFSH's group) having acquired the Sale Shares from CDPQ;
- (b) any compulsory regulatory approvals having been sought and obtained without any condition;
- (c) none of the circumstances which have a material adverse effect having occurred.

The Bank shall be entitled to terminate the Investor Agreement if any of the conditions precedent has not been fulfilled on or before the Longstop Date, or CFSH or LCFR is in breach to a material extent of their pre-Completion undertakings.

#### **Consideration:**

The consideration of the Transaction is determined after arm's length negotiations between the Parties, taking into account various factors which include, among others, taking reference to the valuation of other comparable companies, as well as the financial situation and development prospect of LCFR.

The price of each of the Subscription Shares and the Sale Shares will be EUR190.49 (approximately HK\$2,108) per share, therefore, the consideration of 663,268 Subscription Shares and 577,064 Sale Shares will be EUR126,345,921.32 (approximately HK\$1,398,232,407) and EUR109,924,921.36 (approximately HK\$1,216,506,127), respectively. The aggregate consideration of the Transaction will be EUR236,270,842.68 (approximately HK\$2,614,738,535), which will be paid in cash by the Bank on Completion.

The Bank will settle the consideration of the Transaction with its internal resources.

### **Completion:**

The Transaction shall be completed on the later of: (i) the fifth Business Day after the satisfaction of the conditions precedent; or (ii) such other date as the Parties agree in writing (**Completion**). Upon Completion of the Transaction, CFSH, the Bank and the management, employees and other shareholders of LCFR will hold 74.19%, 20.00% and 5.81% of the enlarged share capital of LCFR, respectively.

## **2. BUSINESS COOPERATION FRAMEWORK**

The Bank and LCFR have agreed, upon Completion of the Transaction, to cooperate with the other Party in accordance with the Business Cooperation Framework. Under the principle of “strategic cooperation, mutual benefits and win-win results”, both Parties have agreed to focus on the areas of asset management, private banking and custody services, and jointly expand into mutually interested markets. The cooperative relationship will not be exclusive. A Strategic Steering Committee shall be established to be responsible for the overall business cooperation and to devise the annual cooperation plan. The Cooperation Representative Offices shall also be established to be responsible for the advancement of the overall cooperation plan and projects.

## **3. SHAREHOLDERS AGREEMENT**

**Date:** 18 September 2008

**Parties:** the Bank

CFSH

### **Supervisory Board<sup>1</sup> representation:**

Following the Completion, two members of the Supervisory Board shall be appointed upon proposal of the Bank.

### **Approval of Key Decisions:**

For so long as the Bank holds an aggregate of 5% of the issued Shares, none of the key decisions or actions shall be taken without having received the prior approval of the two members appointed on proposal of the Bank at the relevant meeting of the Supervisory Board.

### **Lock-up:**

The Bank has agreed not to dispose of the Subscription Shares and the Sale Shares or any interest thereon for a duration of two years starting from the Bank’s acquisition of the Subscription Shares and the Sale Shares.

<sup>1</sup> LCFR has a two tier management structure which consists of an Executive Board (Directoire) and a Supervisory Board (Conseil de Surveillance). The Executive Board is responsible for the management of LCFR, and the Supervisory Board is responsible for the supervision of the Executive Board’s management.

**Liquidity mechanisms:**

The Parties have made liquidity arrangements in respect of the Shares, including an initial public offering (**IPO**) to be carried out on the terms agreed upon by the Parties within the period agreed by the Parties after the Completion of the Transaction depending on the status of their cooperation and market conditions. In the event of the IPO, the Bank may sell certain number of Shares on the terms agreed upon by the Parties in connection with the IPO.

**Right of first refusal for the Bank:**

If CFSH proposes to transfer or dispose of its Shares to any person (**CFSH Proposed Transferee**), the Bank shall have the right of first refusal to purchase all of the Shares which CFSH proposed to transfer at the same price and on the same terms and conditions as those offered to the CFSH Proposed Transferee.

**Tag along rights:**

In the event that a transfer to a third party is contemplated which would result in a change of control in CFSH, or CFSH's ownership in LCFR's share capital falling below 50%, CFSH shall not complete such transfer unless it ensures that the third party offers to purchase all of the Shares held by the Bank on the same terms.

**Covenant not to compete:**

For the entire duration of the cooperation, and (i) as long as there is any representative of the Bank on the Supervisory Board, the Bank may not, without the prior written consent of LCFR, hold 20% or more of the share capital with board representation in a direct competitor of LCFR in France (or any of the affiliates in France of such a direct competitor); (ii) LCFR may not, without the prior written consent of the Bank, purchase any interest in, or enter into a similar business relationship with, a direct competitor of the Bank in PRC (or any of the affiliates in PRC of such a direct competitor).

**Share transfers:**

The acquisition by the Bank of Shares from other shareholders of LCFR shall be subject to CFSH's prior approval.

**Effective date and term of the Shareholders Agreement:**

The Shareholders Agreement shall take effect upon Completion for a duration of 10 years and may be renewed by mutual agreement of the Parties.

## **INFORMATION ON LCFR**

LCFR is established and registered in France, with its headquarters in Paris. It is a financial group mainly engaging in private banking and asset management and controlled by the Rothschild Family. It has representative offices in many countries globally. Prior to the Transaction, the Shares of LCFR are held as to 83.08% by CFSH, 10.42% by CDPQ (Note: Immediately prior to the Completion, upon completion of the acquisition by CFSH (or another entity in CFSH's group) from CDPQ of all of the Shares held by CDPQ, CFSH will hold 93.50% of the Shares in LCFR), and 6.50% by the management, employees and other shareholders of LCFR. The Rothschild Family, the controlling shareholder of CFSH, has a history of over 250 years in the financial industry and enjoys an established reputation in Europe and around the world. As a result of the Rothschild Family's established European and global reputation, LCFR enjoys a unique position in European private banking and asset management fields.

The private banking business of LCFR mainly serves the families and the entrepreneurs of high asset net value. Its private banking departments include asset portfolio, wealth management, succession planning and home office, etc. The scale of the asset management in respect of the private banking business of LCFR has gained a growth of 124% for the past four years, with an increase of 157% of net asset flow-in and an increase of 47% in the number of employees.

The asset management business of LCFR mainly includes equities investment, bond investments and other traditional businesses; hedge funds, funds of funds, funds of hedge funds and other derivatives products; fixed income product management, alternative asset management, quantitative asset management and structured product management; and private equity, innovation investment and life science venture capital.

LCFR has comprehensive products offering. It has an extensive network covering many European countries, including France, United Kingdom, Switzerland and Luxembourg. As of 31 December 2007, LCFR has Assets Under Management (AuM) of EUR29.6 billion.

As of 31 December 2007, LCFR has total assets of EUR3,208 million, total liabilities of EUR2,812 million, shareholders' equity of EUR396 million and unadjusted net profit after tax of EUR105 million.

## **REASONS FOR, BENEFITS OF AND IMPACT ON THE TRANSACTION**

The Bank expects that the Transaction will provide a reasonable return on investment. The introduction of LCFR's advanced products, technology and experience will strengthen the Bank's strategic development in the areas of private banking and asset management. In addition, the Bank's cooperation with LCFR will enhance the Bank's capability in product development and international operations and enrich the Bank's financial products offerings to cater to the rapidly growing needs of its mid and high-end clients. By leveraging on both parties' strong reputation and wide networks, the Bank can further explore opportunities in European and other emerging markets.

The Bank expects that the Transaction will not have a material impact on the Bank's Capital Adequacy Ratio (**CAR**) or Earnings Per Share (**EPS**).

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of directors of the Bank
“Business Cooperation Framework”	a business cooperation framework contained in the Investor Agreement
“Business Day”	a day (other than a Saturday or a Sunday) on which banks generally are open in Paris and in Beijing for a full range of business
“CDPQ”	La Caisse de dépôt et placement du Québec, a legal entity formed under the Canadian <i>Loi sur la Caisse de dépôt et placement du Québec</i>
“CFSH”	Compagnie Financière Saint-Honoré, a <i>société anonyme à directoire et conseil de surveillance</i> incorporated under the laws of France
“Completion”	has the meaning described in the section headed “Completion”
“EUR”	Euro dollars, the lawful currency of most European Union countries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong Special Administrative Region of the PRC
“Investor Agreement”	an investor agreement dated 18 September 2008 among the Bank, CFSH and LCFR in relation to the Transaction
“LCFR”	La Compagnie Financière Edmond de ROTHSCHILD Banque, a company incorporated under the laws of France
“PRC”	the People’s Republic of China
“Sale Shares”	has the meaning described in the section headed “Subscription Shares and Sales Shares”
“Shares”	any shares forming part of the authorized and issued share capital of LCFR from time to time
“Shareholders Agreement”	a shareholders agreement dated 18 September 2008 between CFSH and the Bank governing the ongoing shareholder relationship between them
“Subscription Shares”	has the meaning described in the section headed “Subscription Shares and Sales Shares”

“Supervisory Board”	LCFR’s supervisory board ( <i>conseil de surveillance</i> )
“Transaction”	the acquisition of 20% Shares of the enlarged share capital of LCFR for a total consideration of EUR236,270,842.68 (approximately HK\$2,614,738,535), to be effected by (i) subscription of 663,268 new Shares issued and allotted by LCFR (representing 10.70% of LCFR’s enlarged share capital) and (ii) purchase of 577,064 Shares held by CFSH (or another entity in CFSH’s group) (representing 9.30% of LCFR’s enlarged share capital)

*This announcement contains translation between EUR and HK\$ at EUR1.00 to HK\$11.0667, the rate of European Central Bank on 17 September 2008. The translation shall not be taken as representation that any amounts in EUR or HK\$ could be converted at such rate or at any other rate.*

By Order of the Board  
**YEUNG Cheung Ying**  
*Company Secretary*

Hong Kong, 18 September 2008

*As at the date of this announcement, the Directors of the Bank are: XIAO Gang, LI Lihui, LI Zaohang, ZHOU Zaiqun, ZHANG Jinghua\*, HONG Zihua\*, HUANG Haibo\*, CAI Haoyi\*, WANG Gang\*, LIN Yongze\*, Sir Frederick Anderson GOODWIN\*, SEAH Lim Huat Peter\*, Anthony Francis NEOH\*\*, Alberto TOGNI\*\*, HUANG Shizhong\*\* and HUANG Danhan\*\*.*

\* *Non-executive Directors*

\*\* *Independent Non-executive Directors*