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交通銀行股份有限公司  
**Bank of Communications Co., Ltd.**

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

**(Stock Code: 03328)**

**Possible Connected Transaction:  
Proposed Establishment of a Joint Venture Company**

The Board is pleased to announce that it has passed a resolution regarding the Proposed Joint Venture Agreement expected to be entered into between the Bank and HSBC in the near future for the proposed establishment of the Credit Card Company.

The total registered capital of the Credit Card Company is proposed to be RMB2,500,000,000 (equivalent to approximately HK\$2,840,909,090.90). It is currently proposed that the Bank shall contribute RMB2,000,000,000 (equivalent to approximately HK\$2,272,727,272.72) in cash, and HSBC shall contribute RMB1,158,000,000 (equivalent to approximately HK\$1,315,909,090.90) in cash to the Credit Card Company. Upon its establishment, 80% of the equity interest in the Credit Card Company shall be owned by the Bank and 20% of the equity interest in the Credit Card Company shall be owned by HSBC.

As HSBC is a substantial shareholder of the Bank, it is regarded as a connected person of the Bank. Therefore, the Proposed Establishment, if consummated, will constitute a connected transaction of the Bank under the Listing Rules. However, based on the proposed contribution to be made by the Bank to the registered capital of the Credit Card Company, each of the applicable percentage ratios is less than 2.5%. Under Rule 14A.32 of the Listing Rules, the Proposed Establishment is therefore exempted from the independent shareholders' approval requirements, but is still subject to the relevant reporting and announcement requirements under the Listing Rules.

**As the Proposed Establishment may or may not take place, shareholders of the Bank and the public investors are advised to exercise extreme caution when dealing in the shares of the Bank.**

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# MAIN TERMS OF THE PROPOSED JOINT VENTURE AGREEMENT

The main terms of the Proposed Joint Venture Agreement are summarised as follows:

**Parties:** (a) the Bank; and

(b) HSBC

**Registered Capital:** The total registered capital of the Credit Card Company is proposed to be RMB2,500,000,000 (equivalent to approximately HK\$2,840,909,090.90).

**Capital Contribution:** Pursuant to the credit cards cooperation agreement entered into between the JV Partners on 18 August 2004, the capital contribution of each of the JV Partners to the Credit Card Company was originally agreed as follows:

(i) the Bank's capital contribution = registered capital  $\times$  the Bank's percentage interest in the registered capital of the Credit Card Company  $\times$  1.0; and

(ii) HSBC's capital contribution = registered capital  $\times$  HSBC's percentage interest in the registered capital of the Credit Card Company  $\times$  1.30 (provided that HSBC's percentage interest in the registered capital of the Credit Card Company is 49% or below).

After taking into account the following factors: (i) the current market environment is entirely different from that of 2004; (ii) the unexpected rapid growth of the business of the Existing Card Centre; (iii) the JV Partners have contributed significant human resources, materials and financial resources to support the development of the Existing Card Centre; and (iv) the huge potential of the PRC credit card market, the experts of the JV Partners have further negotiated and during which, reference has also been made to a valuation report prepared by an independent valuer in relation to the assets of the Existing Card Centre.

The JV Partners eventually agreed that the Bank shall contribute RMB2,000,000,000 (equivalent to approximately HK\$2,272,727,272.72) in cash, and HSBC shall contribute RMB1,158,000,000 (equivalent to approximately HK\$1,315,909,090.90) in cash to the Credit Card Company and upon its establishment, 80% of the equity interest in the Credit Card Company shall be owned by the Bank and 20% of the equity interest in the Credit Card Company shall be owned by HSBC.

It is intended that the Proposed Joint Venture Agreement shall supersede and replace the credit cards cooperation agreement entered into between the JV Partners on 18 August 2004.

# **REASON AND BENEFITS FOR ENTERING INTO THE PROPOSED JOINT VENTURE AGREEMENT**

It is intended that the Credit Card Company shall principally engage in credit card business and non-secured consumer financial products and services based on credit card.

The Board believes that the Proposed Establishment is in line with the trend of development of the credit card industry in the PRC. Through the setting up of a corporate entity, it helps to implement modern corporate governance procedures, introduce new capital from HSBC, attract outstanding talent for the management and operation of credit card business. These in turn will enhance the Bank's capability to operate its credit card business independently, establish a more flexible, independent, market-oriented and specialized system for the Bank in relation to its business decision making process, talent management system, capital supplementation arrangements, risk control and fund raising exercises etc., and forming a positive cycle of self-development. The development of the Bank's business will be further enhanced, its profitability will be increased and more value shall be created for its shareholders. In addition, the Proposed Establishment is also a fulfillment of the undertakings made by the Bank to its investors as set out in the prospectus of the Bank dated 13 June 2005.

The Bank intends to use its internal resources to satisfy its requisite capital contribution to the Credit Card Company.

## **GENERAL INFORMATION**

### **1. Principal Business Activities**

#### *a) HSBC*

HSBC provides a comprehensive range of local and international banking and related financial services in the Asia-Pacific region.

#### *b) The Bank*

The Bank is principally engaged in the provision of banking and related financial services.

### **2. Implications under the Listing Rules**

As HSBC is a substantial shareholder of the Bank, it is regarded as a connected person of the Bank. Therefore, the Proposed Establishment, if consummated, will constitute a connected transaction of the Bank under the Listing Rules. However, based on the proposed contribution to be made by the Bank to the registered capital of the Credit Card Company, each of the applicable percentage ratios is less than 2.5%. Under Rule 14A.32 of the Listing Rules, the Proposed Establishment is therefore exempted from the independent shareholders' approval requirements, but is still subject to the relevant reporting and announcement requirements under the Listing Rules.

The Board (including the independent non-executive directors) believes that the terms of the Proposed Establishment are fair and reasonable, on normal commercial terms, in the interests of the Bank and its shareholders as a whole.

If there is any material change to the major terms of the Proposed Establishment as stated in this announcement at the time of signing of the Proposed Joint Venture Agreement, the Board will keep the market informed, in compliance with the requirements of the Listing Rules.

**As the Proposed Establishment may or may not take place, shareholders of the Bank and the public investors are advised to exercise extreme caution when dealing in the shares of the Bank.**

## DEFINITIONS

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

“Bank”	交通銀行股份有限公司 (Bank of Communications Co., Ltd.), a joint stock limited company incorporated in the PRC, of which 23,064,468,100 H shares are listed on the Stock Exchange and 25,929,915,567 A shares are listed on the Shanghai Stock Exchange
“Board”	the board of directors of the Bank
“connected person”	has the meaning ascribed to such term under the Listing Rules
“Credit Card Company”	a limited liability company proposed to be established by the JV Partners in Shanghai, the PRC. The name provisionally chosen for this company is 交通銀行滙豐太平洋信用卡有限公司 (Bank of Communications HSBC Pacific Credit Card Company Limited) <sup>1</sup>
“Existing Card Centre”	the stand-alone cooperative card centre unit within the Bank which was established pursuant to the credit cards cooperation agreement entered into between JV Partners on 18 August 2004
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a substantial shareholder of the Bank, having an approximately 19.15% direct or indirect shareholding interest as at the date of this announcement
“JV Partners”	the Bank and HSBC

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<sup>1</sup> The English name referred herein represents management’s best efforts at translating the Chinese name of the company, as no English name will be registered.

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratios”	has the meaning ascribed to such term under the Listing Rules
“PRC”	the People’s Republic of China
“Proposed Establishment”	the proposed establishment of the Credit Card Company by the JV Partners
“Proposed Joint Venture Agreement”	an agreement proposed to be entered into between the JV Partners regarding the Proposed Establishment
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board of  
**Bank of Communications Co., Ltd.**  
**Hu Huaibang**  
*Chairman*

Shanghai, the PRC

28 October 2009

*As at the date of this announcement, the directors of the Bank are Mr. Hu Huaibang, Mr. Li Jun, Mr. Peng Chun, Mr. Qian Wenhui, Mr. Zhang Jixiang\*, Mr. Hu Huating\*, Mr. Qian Hongyi\*, Mr. Wong Tung Shun, Peter\*, Ms. Laura M. Cha\*, Mr. Ji Guoqiang\*, Mr. Lei Jun\*, Mr. Yang Fenglin\*, Mr. Xie Qingjian#, Mr. Ian Ramsay Wilson#, Mr. Thomas Joseph Manning#, Mr. Chen Qingtai#, Dr. Li Ka-cheung, Eric# and Mr. Gu Mingchao#.*

\* *Non-executive directors*

# *Independent non-executive directors*

The exchange rate adopted in this announcement for illustration purposes only is HK\$1.00 = RMB0.88.