

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

- (1) PROPOSED ISSUANCE AND PLACING OF
NEW A SHARES AND NEW H SHARES**
**(2) GENERAL MANDATE TO ISSUE
NEW A SHARES AND NEW H SHARES**
**(3) CONNECTED TRANSACTIONS:
PROPOSED SUBSCRIPTION OF NEW A SHARES AND
NEW H SHARES BY CONNECTED PERSONS**
(4) RESUMPTION OF TRADING

Placing Agent
CITIC Securities Corporate Finance (HK) Limited

**PROPOSED ISSUANCE AND PLACING OF NEW A SHARES AND
NEW H SHARES**

The Board announces that the Board has on 15 March 2012 approved the Proposed Placing, pursuant to which the Bank shall issue (i) 6,541,810,669 new A Shares for subscription to seven (7) subscribers in total, including MOF, SSF, Shanghai Haiyan and Yunnan Hongta, at a subscription price of RMB4.55 per A Share, (ii) 5,559,619,881 new H Shares, namely the Subscribed H Shares, for subscription to seven (7) subscribers in total, including MOF, HSBC and SSF, at a subscription price of HK\$5.63 per H Share, and 275,690,557 new H Shares, namely the Placing Shares, to be placed through the Placing Agent on a fully underwritten basis at the placing price of HK\$5.63 per Placing Share. The gross proceeds to be raised from the Proposed Placing is approximately RMB56,573.45 million (equivalent to approximately HK\$69,329.36 million).

The number of new A Shares and new H Shares (including the Subscribed H Shares and the Placing Shares) to be issued under the Proposed Placing: (i) represents approximately 20.00% of the existing issued A Shares and approximately 20.00% of the existing issued H Shares, respectively, and approximately 20.00%, in aggregate, of the existing total issued share capital of the Bank as at the date of this announcement; and (ii) will represent approximately 16.67% of the enlarged issued A Shares and approximately 16.67% of the enlarged issued H Shares, respectively, and approximately 16.67%, in aggregate, of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing.

On 15 March 2012, MOF, HSBC, SSF, Shanghai Haiyan, Yunnan Hongta, the A Share Subscribers, the H Share Subscribers and the Placing Agent have reached agreement with the Bank regarding their respective subscription and placement of new A Shares and/or new H Shares under the Proposed Placing (as the case may be). On the same day, the Bank has also entered into the Placing Agreement with the Placing Agent in relation to the placement, on a fully underwritten basis, of the Placing Shares. To the best knowledge, information and belief of the Directors, save for MOF, HSBC, SSF, Shanghai Haiyan and Yunnan Hongta, the remaining seven (7) subscribers and the Placing Agent under the Proposed Placing and their respective ultimate beneficial owners are third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group. The Placing Agent has undertaken to place the Placing Shares to Placees who, together with their respective ultimate beneficial owners, are third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group.

The subscription and placing agreements entered into by the Bank in respect of the Proposed Placing are subject to certain conditions including, among other things, (i) the passing of the relevant resolutions in respect of the Proposed Placing by the Shareholders at the EGM; (ii) the obtaining of all necessary PRC governmental and regulatory approvals and consents regarding the Proposed Placing; (iii) the obtaining of a general mandate to allot and issue A Shares and H Shares by Shareholders of the Bank that is capable and sufficient to cover the allotment and issue of the new A Shares and the new H Shares under the Proposed Placing; and (iv) in relation to the subscription of the new H Shares, the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the new H Shares (including the Subscribed H Shares and the Placing Shares) on the Hong Kong Stock Exchange.

GENERAL MANDATE TO ISSUE NEW A SHARES AND NEW H SHARES

As at the date of this announcement, the Bank has 32,709,053,346 A Shares and 29,176,552,192 H Shares in issue. On 15 March 2012, the Board resolved to submit to the Shareholders for their consideration and approval a special resolution in respect of the grant of the General Mandate to the Board, pursuant to which the Board may issue, allot and/or deal with a maximum of 6,541,810,669 A Shares and/or 5,835,310,438 H Shares, representing 20% of the total issued A Shares and total issued H Shares, respectively, assuming that the numbers of issued A Shares and issued H Shares remain as stated above on the date the proposed special resolution regarding the General Mandate is passed. The Bank will issue and allot new A Shares, the Subscribed H Shares and the Placing Shares under the Proposed Placing pursuant to the General Mandate to be considered and granted by the Shareholders at the EGM.

PROPOSED SUBSCRIPTION OF NEW A SHARES AND NEW H SHARES BY CONNECTED PERSONS

As part of the Proposed Placing, HSBC, being a substantial shareholder of the Bank, has agreed to subscribe for 2,355,939,435 new H Shares for a total subscription amount of approximately HK\$13,263.94 million. In addition, SSF, also a substantial shareholder of the Bank, has also agreed to subscribe for 1,877,513,451 new A Shares and 1,405,555,555 new H Shares for a total subscription amount of approximately RMB8,542.69 million and HK\$7,913.28 million, respectively.

On 15 March 2012, the Bank entered into the HSBC Subscription Agreement with HSBC, pursuant to which HSBC will subscribe for in cash 2,355,939,435 new H Shares at the same subscription price for new H Shares as that applicable to MOF, SSF and the H Share Subscribers of HK\$5.63 per new H Share, representing a total subscription amount of approximately HK\$13,263.94 million. Immediately after completion of the HSBC Subscription Agreement, HSBC will hold in aggregate 14,135,636,613 H Shares, representing 40.37% of the enlarged total issued H Shares of the Bank and 19.03% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing. HSBC currently holds 19.03% interest in the Bank and is therefore a related party (as defined under the SSE Listing Rules) of the Bank. In addition, HSBC is a substantial shareholder of the Bank and therefore a connected person (as defined under the Hong Kong Listing Rules) of the Bank. Accordingly, the subscription by HSBC of, and the issue by the Bank to HSBC, 2,355,939,435 new H Shares under the HSBC Subscription Agreement, constitute a related party transaction under the SSE Listing Rules and a connected transaction under the Hong Kong Listing Rules.

On 15 March 2012, the Bank entered into the SSF A Share Subscription Agreement with SSF, pursuant to which SSF will subscribe for in cash 1,877,513,451 new A Shares at the same subscription price for new A Shares as that applicable to MOF, Shanghai Haiyan, Yunnan Hongta and the A Share Subscribers of RMB4.55 per new A Share, representing a total subscription amount of approximately RMB8,542.69 million. On the same day, the Bank also entered into the SSF H Share Subscription Agreement with SSF, pursuant to which SSF will subscribe for in cash 1,405,555,555 new H Shares at the same subscription price for new H Shares as that applicable to MOF, HSBC and the H Share Subscribers of HK\$5.63 per new H Share, representing a total subscription amount of approximately HK\$7,913.28 million. Immediately after completion of the SSF Subscription Agreements, SSF will hold in aggregate 1,877,513,451 A Shares, representing approximately 4.78% of the enlarged total issued A Shares of the Bank, and 8,433,333,332 H Shares, representing approximately 24.09% of the enlarged total issued H Shares of the Bank, and which, in aggregate, represents approximately 13.88% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing. SSF currently holds 11.36% interest in the Bank and is therefore a related party (as defined under the SSE Listing Rules) of the Bank. In addition, SSF is a substantial shareholder of the Bank and therefore a connected person (as defined under the Hong Kong Listing Rules) of the Bank. Accordingly, the subscription by SSF of, and the issue by the Bank to SSF, 1,877,513,451 new A Shares under the SSF A Share Subscription Agreement and 1,405,555,555 new H Shares under the SSF H Share Subscription Agreement, constitute a related party transaction under the SSE Listing Rules and a connected transaction under the Hong Kong Listing Rules.

PROPOSED SUBSCRIPTION OF NEW A SHARES AND NEW H SHARES BY MOF

On 15 March 2012, the Bank has agreed to issue and allot to MOF 2,530,340,780 new A Shares which MOF has agreed to subscribe for in cash at the same subscription price for new A Shares as that applicable to SSF, Shanghai Haiyan, Yunnan Hongta and the A Share Subscribers of RMB4.55 per new A Share, representing a total subscription amount of approximately RMB11,513.05 million. On the same day, the Bank has further agreed to issue and allot to MOF 758,999,999 new H Shares which MOF has agreed to subscribe for in cash at the same subscription price for new H Shares as that applicable to HSBC, SSF and the H Share Subscribers of HK\$5.63 per new H Share, representing a total subscription amount of approximately HK\$4,273.17 million. Immediately after completion of the MOF Subscription, MOF will hold in aggregate 15,148,693,829 A Shares, representing approximately 38.59% of the enlarged total issued A Shares of the Bank, and 4,553,999,999 H Shares, representing approximately 13.01% of the enlarged total issued H Shares of the Bank, and which, in aggregate, represents approximately 26.53% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing. As MOF currently holds 26.52% interest in the Bank, it is a related party of the Bank pursuant to the SSE Listing Rules and therefore the subscription by MOF of, and the issue by the Bank to MOF, 2,530,340,780 new A Shares and 758,999,999 new H Shares, constitute a related party transaction under the SSE Listing Rules. As MOF is a PRC Governmental Body, it is not a connected person of the Bank under the Hong Kong Listing Rules.

PROPOSED SUBSCRIPTION OF NEW A SHARES BY SHANGHAI HAIYAN

On 15 March 2012, the Bank entered into the Shanghai Haiyan Subscription Agreement with Shanghai Haiyan, pursuant to which Shanghai Haiyan will subscribe for in cash 439,560,439 new A Shares at the same subscription price for new A Shares as that applicable to MOF, SSF, Yunnan Hongta and the A Share Subscribers of RMB4.55 per new A Share, representing a total subscription amount of approximately RMB2,000.00 million. Immediately after completion of the Shanghai Haiyan Subscription Agreement, Shanghai Haiyan will hold in aggregate 808,145,417 A Shares, representing 2.06% of the enlarged total issued A Shares of the Bank and 1.09% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing. As Mr. Guo Yu, who served as a supervisor of the Bank since August 2010, is the General Manager and Director of Shanghai Haiyan, Shanghai Haiyan is a related party of the Bank pursuant to the SSE Listing Rules and therefore the subscription by Shanghai Haiyan of, and the issue by the Bank to Shanghai Haiyan, 439,560,439 new A Shares under the Shanghai Haiyan Subscription Agreement constitute a related party transaction under the SSE Listing Rules. Shanghai Haiyan is not a connected person of the Bank under the Hong Kong Listing Rules.

PROPOSED SUBSCRIPTION OF NEW A SHARES BY YUNNAN HONGTA

On 15 March 2012, the Bank entered into the Yunnan Hongta Subscription Agreement with Yunnan Hongta, pursuant to which Yunnan Hongta will subscribe for in cash 219,780,219 new A Shares at the same subscription price for new A Shares as that applicable to MOF, SSF, Shanghai Haiyan and the A Share Subscribers of RMB4.55 per new A Share, representing a total subscription amount of approximately RMB1,000.00 million. Immediately after completion of the Yunnan Hongta Subscription Agreement, Yunnan Hongta will hold in aggregate 658,467,013 A Shares, representing 1.68% of the enlarged total issued A Shares of the Bank and 0.89% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing. As Mr. Yang Fajia, who served as a supervisor of the Bank since August 2007, is the General Manager and Director of Yunnan Hongta, Yunnan Hongta is a related party of the Bank pursuant to the SSE Listing Rules and therefore the subscription by Yunnan Hongta of, and the issue by the Bank to Yunnan Hongta, 219,780,219 new A Shares under the Yunnan Hongta Subscription Agreement constitute a related party transaction under the SSE Listing Rules. Yunnan Hongta is not a connected person of the Bank under the Hong Kong Listing Rules.

THE PLACING AGREEMENT

On 15 March 2012, the Bank entered into the Placing Agreement with the Placing Agent in relation to the placement, on a fully underwritten basis, of the Placing Shares at the placing price of HK\$5.63 per Placing Share. The placing price for the Placing Shares is the same as the subscription price for the Subscribed H Shares to be subscribed for by MOF, HSBC, SSF and the H Share Subscribers of HK\$5.63 per new H Share. The Placing Shares represent 0.79% of the enlarged total issued H Shares of the Bank and 0.37% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing. The Placing Agent has undertaken to place the Placing Shares to Placees who, together with their respective ultimate beneficial owners, are third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group.

HONG KONG LISTING RULES AND SSE LISTING RULES IMPLICATIONS

Each of HSBC and SSF is a substantial shareholder of the Bank. Accordingly, each of HSBC and SSF is a connected person of the Bank and the transactions contemplated under the HSBC Subscription Agreement and the SSF Subscription Agreements constitute connected transactions of the Bank and are subject to reporting, announcement and independent Shareholders' approval requirements under the Hong Kong Listing Rules. The Bank intends to hold an EGM as soon as practicable, at which meeting shareholders' approval in respect of the Proposed Placing and the grant of the General Mandate, and independent Shareholders' approval for the transactions contemplated under the HSBC Subscription Agreement and the SSF Subscription Agreements will be sought. HSBC and its associates will abstain from voting on the ordinary resolution relating to the transactions contemplated under the HSBC Subscription Agreement and SSF and its associates will abstain from voting on the ordinary resolution relating to the transactions contemplated under the SSF Subscription Agreements, respectively, at the EGM. An Independent Board Committee has been formed to advise the independent Shareholders on the terms of the Connected Persons Subscription. China Everbright Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on the same.

As MOF is a PRC Governmental Body, it is not a connected person (as defined in the Hong Kong Listing Rules) of the Bank and therefore the subscription by MOF of, and the issue by the Bank to MOF, 2,530,340,780 new A Shares and 758,999,999 new H Shares, does not constitute a connected transaction of the Bank under the Hong Kong Listing Rules. However, as MOF holds 26.52% interest in the Bank, it is a related party of the Bank pursuant to the SSE Listing Rules and it shall abstain from voting on the ordinary resolution in relation to the MOF Subscription at the EGM.

Shanghai Haiyan is not a connected person (as defined in the Hong Kong Listing Rules) of the Bank and therefore the subscription by Shanghai Haiyan, and the issue by the Bank to Shanghai Haiyan, of 439,560,439 new A Shares under the Shanghai Haiyan Subscription Agreement, does not constitute a connected transaction of the Bank under the Hong Kong Listing Rules. However, as Mr. Guo Yu, who served as a supervisor of the Bank since August 2010, is the General Manager and Director of Shanghai Haiyan, Shanghai Haiyan is a related party of the Bank pursuant to the SSE Listing Rules and it shall abstain from voting on the ordinary resolution relating to the transactions contemplated under the Shanghai Haiyan Subscription Agreement at the EGM.

Yunnan Hongta is not a connected person (as defined in the Hong Kong Listing Rules) of the Bank and therefore the subscription by Yunnan Hongta, and the issue by the Bank to Yunnan Hongta, of 219,780,219 new A Shares under the Yunnan Hongta Subscription Agreement, does not constitute a connected transaction of the Bank under the Hong Kong Listing Rules. However, as Mr. Yang Fajia, who served as a supervisor of the Bank since August 2007, is the General Manager and Director of Yunnan Hongta, Yunnan Hongta is a related party of the Bank pursuant to the SSE Listing Rules and it shall abstain from voting on the ordinary resolution relating to the transactions contemplated under the Yunnan Hongta Subscription Agreement at the EGM.

As each of MOF, HSBC, SSF, Shanghai Haiyan and Yunnan Hongta is a related party (as defined under the SSE Listing Rules) of the Bank, MOF, HSBC, SSF, Shanghai Haiyan, Yunnan Hongta and their respective associates will abstain from voting on the special resolution in respect of the proposed issuance and placing of new A Shares and new H Shares at the EGM.

DISPATCH OF CIRCULAR

A circular containing, among other things, information on the Proposed Placing, the General Mandate, the Connected Persons Subscription and the letter of the Independent Financial Advisor and recommendation of the Independent Board Committee in relation to the Connected Persons Subscription is expected to be dispatched to the Shareholders on or before 23 March 2012.

The Shareholders and potential investors should be aware that the Proposed Placing is subject to certain conditions being satisfied, and consequently the Proposed Placing may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Bank.

I. PROPOSED ISSUANCE AND PLACING OF NEW A SHARES AND NEW H SHARES

A. The Board announces that the Board has on 15 March 2012 approved the Proposed Placing, details of which are as follows:

1. Class and par value of Shares to be issued

The Shares to be issued under the Proposed Placing are new A Shares and new H Shares (including the Subscribed H Shares and the Placing Shares) with a par value of RMB1.00 each.

2. Method of issuance

The Proposed Placing will be carried out by way of non-public issuance of new A Shares and the Subscribed H Shares to target subscribers and through the placement of the Placing Shares by the Placing Agent on a fully underwritten basis. The Bank will complete the issuance of the new A Shares under the Proposed Placing within six (6) months from obtaining the approval for the Proposed Placing from the CSRC.

3. Target subscribers and Placees

Pursuant to the Proposed Placing of new A Shares, the Bank shall issue new A Shares for subscription to seven (7) subscribers in total, including MOF, SSF, Shanghai Haiyan and Yunnan Hongta. On 15 March 2012, apart from MOF, SSF, Shanghai Haiyan and Yunnan Hongta, three (3) other subscribers, being the A Share Subscribers, have entered into the A Share Subscription Agreements with the Bank to subscribe for a total of 1,474,615,780 new A Shares. A total of 6,541,810,669 new A Shares will be subscribed for by MOF, SSF, Shanghai Haiyan, Yunnan Hongta and the A Share Subscribers at the subscription price of RMB4.55 per new A Share, representing total gross proceeds of approximately RMB29,765.24 million.

Further, pursuant to the Proposed Placing of new H Shares, the Bank shall issue 5,559,619,881 new H Shares, namely the Subscribed H Shares, for subscription to seven (7) subscribers in total, including MOF, HSBC and SSF and 275,690,557 new H Shares, namely the Placing Shares, through the Placing Agent on a fully underwritten basis. On 15 March 2012, apart from MOF, HSBC and SSF, four (4) other subscribers, being the H Share Subscribers, have entered into the H Share Subscription Agreements with the Bank to subscribe for a total of 1,039,124,892 new H Shares. The Subscribed H Shares will be subscribed for by MOF, HSBC, SSF and the H Share Subscribers at the subscription price of HK\$5.63 per Subscribed H Share, representing total gross proceeds of approximately HK\$31,300.66 million. In addition, on 15 March 2012, the Bank has also entered into the Placing Agreement with the Placing Agent in relation to the placement, on a fully underwritten basis, of the 275,690,557 Placing Shares at the placing price of HK\$5.63 per Placing Share, representing total gross proceeds of approximately HK\$1,552.14 million.

Accordingly, on 15 March 2012, MOF, HSBC, SSF, Shanghai Haiyan, Yunnan Hongta, the A Share Subscribers, the H Share Subscribers and the Placing Agent have reached agreement with the Bank regarding their respective subscription and placement of new A Shares and/or new H Shares under the Proposed Placing (as the case may be). To the best knowledge, information and belief of the Directors, save for MOF, HSBC, SSF, Shanghai Haiyan and Yunnan Hongta, the remaining seven (7) subscribers and the Placing Agent under the Proposed Placing and their respective ultimate beneficial owners are third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group. As MOF is a PRC Governmental Body, it is not a connected person of the Bank under the Hong Kong Listing Rules. Each of Shanghai Haiyan and Yunnan Hongta is not a connected person of the Bank under the Hong Kong Listing Rules. Further, pursuant to the Placing Agreement, the Placing Agent has undertaken to place the Placing Shares to Placees who, together with their respective ultimate beneficial owners, are third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group.

4. *Number of Shares to be issued*

The total number of Shares to be issued under the Proposed Placing is 12,377,121,107 Shares.

Under the Proposed Placing, a total of 6,541,810,669 new A Shares and 5,559,619,881 new H Shares will be issued to the following subscribers set out in the following table:

Name of subscriber	Number of new A Shares	Percentage of enlarged A Share capital	Number of new H Shares	Percentage of enlarged H Share capital	Percentage of enlarged total issued share capital after issue of new A Shares and/or new H Shares
MOF	2,530,340,780	6.45%	758,999,999	2.17%	4.43%
HSBC	Nil	—	2,355,939,435	6.73%	3.17%
SSF	1,877,513,451	4.78%	1,405,555,555	4.01%	4.42%
Ping An Asset Management Co., Ltd.	705,385,012	1.80%	Nil	—	0.95%
China First Automobile Works Group Corporation	439,560,439	1.12%	Nil	—	0.59%
Shanghai Haiyan	439,560,439	1.12%	Nil	—	0.59%
China National Tobacco Corp. Zhejiang	329,670,329	0.84%	Nil	—	0.44%
Yunnan Hongta	219,780,219	0.56%	Nil	—	0.30%
Best Investment Corporation	Nil	—	275,690,000	0.79%	0.37%
China Life Insurance (Overseas) Company Limited	Nil	—	275,690,557	0.79%	0.37%
China Re Asset Management Company Limited	Nil	—	275,690,557	0.79%	0.37%
New China Life Insurance Company Ltd.	Nil	—	212,053,778	0.61%	0.29%
Total:	6,541,810,669	16.67%	5,559,619,881	15.88%	16.30%

In addition, 275,690,557 new H Shares shall be placed on a fully underwritten basis by the Placing Agent pursuant to the Placing Agreement.

Upon completion of the Proposed Placing, the total share capital of the Bank shall be increased from 61,885,605,538 Shares to 74,262,726,645 Shares.

The aggregate nominal value of the new A Shares, the Subscribed H Shares and the Placing Shares to be issued, with a par value of RMB1.00 each, is approximately RMB12,377.12 million.

5. *Method of subscription and placing*

All subscribers shall subscribe for new A Shares and/or the Subscribed H Shares to be issued under the Proposed Placing in cash. The subscription price for all the new A Shares to be issued will be the same. The subscription price for all the Subscribed H Shares and the Placing Shares to be issued will also be the same.

6. *Price Determination Date*

15 March 2012, being the date of this announcement and the date on which the subscription price was fixed for the purposes of the Proposed Placing.

7. *Subscription price and placing price*

The subscription price for new A Shares under the Proposed Placing is RMB4.55 per A Share.

The subscription price for the Subscribed H Shares under the Proposed Placing is HK\$5.63 per H Share.

The placing price for the Placing Shares is HK\$5.63 per Placing Share, which is the same as the subscription price for the Subscribed H Shares.

The closing prices of the A Shares and the H Shares as at 14 March 2012, being the last trading day immediately before and including the date of this announcement and the various subscription agreements and the Placing Agreement entered into by the Bank under the Proposed Placing are RMB4.87 and HK\$6.19, respectively, and the average closing prices of the A Shares and the H Shares for the last five trading days up to and including 14 March 2012 are RMB4.89 and HK\$6.16, respectively. The subscription prices of RMB4.55 per new A Share and HK\$5.63 per Subscribed H Share and Placing Share represent 6.57% discount and 9.05% discount to the closing prices of the A Shares and the H Shares as at 14 March 2012, respectively; and represent 6.99% discount and 8.66% discount to the average closing prices of the A Shares and the H Shares for the last five trading days up to and including 14 March 2012.

The subscription price and the placing price was determined through arm's length negotiation between the Bank and the subscribers and the Placing Agent, respectively, with reference to the trading prices of the A Shares on the Shanghai Stock Exchange and the H Shares on the Hong Kong Stock Exchange.

If there is any ex-right event such as declaration of scrip dividend, capitalization issue or placement of Shares between the Price Determination Date and the date of issue of Shares under the Proposed Placing, the number of Shares to be issued by the Bank under the Proposed Placing shall be determined in accordance with the relevant regulations relating to adjustment to share numbers. Nevertheless, any adjustment shall only be determined after reaching agreement with the subscribers under the Proposed Placing.

8. *Lock-up period*

Under the Proposed Placing, each of MOF, SSF, Shanghai Haiyan, Yunnan Hongta and the A Share Subscribers shall not transfer the new A Shares subscribed for within 36 months from the date of completion of the Proposed Placing.

In addition, under the Proposed Placing, each of MOF, HSBC, SSF and the H Share Subscribers undertakes not to transfer the new H Shares subscribed for within three months from the date of completion of the Proposed Placing.

The Placing Shares are not subject to any lock-up arrangement.

9. *Place of listing*

The new A Shares to be issued under the Proposed Placing will be listed on the Shanghai Stock Exchange. The Bank will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the new A Shares.

The new H Shares (including the Subscribed H Shares and the Placing Shares) to be issued under the Proposed Placing will be listed on the Hong Kong Stock Exchange. Application will also be made by the Bank to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the new H Shares (including the Subscribed H Shares and the Placing Shares) to be issued and allotted under the Proposed Placing.

10. *Use of proceeds*

Based on the subscription price of RMB4.55 per new A Share and HK\$5.63 per new H Share (for both the Subscribed H Shares and the Placing Shares), the Proposed Placing will raise gross proceeds of approximately RMB29,765.24 million (attributable to the placing of new A Shares) and approximately HK\$32,852.80 million (equivalent to approximately RMB26,808.21 million and attributable to the subscription of the Subscribed H Shares and the placing of the Placing Shares). The net proceeds from the Proposed Placing, after deducting all expenses incidental to the Proposed Placing, will be used to replenish the core capital of the Bank.

The net price to the Bank of each new A Share, Subscribed H Share and Placing Share to be issued under the Proposed Placing will be determined and disclosed in accordance with the requirements of the Hong Kong Listing Rules upon completion of the Proposed Placing and after determination of relevant expenses incurred or to be incurred in relation to the Proposed Placing.

11. Arrangements for the accumulated undistributed profits

Upon completion of the Proposed Placing, holders of new A Shares and new H Shares (including the Subscribed H Shares and the Placing Shares), together with all existing Shareholders of the Bank, will be entitled to all accumulated, retained and undistributed profits of the Bank prior to the completion of the Proposed Placing.

12. Effective period of the resolutions

The effective period of the resolution on the Proposed Placing (save for the special resolution regarding the General Mandate) shall be 12 months starting from the date on which the resolutions are approved by the Shareholders at the EGM.

B. Conditions precedent of the Proposed Placing

The subscription and placing agreements entered into by the Bank in respect of the Proposed Placing are subject to certain conditions including, among other things, (i) the passing of the relevant resolutions in respect of the Proposed Placing by the Shareholders at the EGM; (ii) the obtaining of all necessary PRC governmental and regulatory approvals and consents regarding the Proposed Placing; (iii) the obtaining of a general mandate to allot and issue A Shares and H Shares by Shareholders of the Bank that is capable and sufficient to cover the allotment and issue of the new A Shares and new H Shares under the Proposed Placing; and (iv) in relation to the subscription of the new H Shares, the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the new H Shares (including the Subscribed H Shares and the Placing Shares) on the Hong Kong Stock Exchange.

C. Rights of the new A Shares and new H Shares

The new A Shares and new H Shares (including the Subscribed H Shares and the Placing Shares) to be issued pursuant to the Proposed Placing, when fully paid up and issued, will rank *pari passu* in all respects amongst themselves and with the A Shares and H Shares in issue at the time of issue and allotment of such new A Shares and new H Shares.

D. Authorization to the Board in connection with the Proposed Placing

To ensure a smooth implementation of the Proposed Placing, an ordinary resolution will be proposed at the EGM to authorize the Board to exercise the full power to handle matters relating to the Proposed Placing. The contents and scope of such authorization will be set out in the circular which is expected to be dispatched to the Shareholders on or before 23 March 2012.

II. GENERAL MANDATE TO ISSUE NEW A SHARES AND NEW H SHARES

As at the date of this announcement, the Bank has 32,709,053,346 A Shares and 29,176,552,192 H Shares in issue. On 15 March 2012, the Board resolved to submit to the Shareholders for their consideration and approval a special resolution in respect of the grant of the General Mandate to the Board, pursuant to which the Board may issue, allot and/or deal with a maximum of 6,541,810,669 A Shares and/or 5,835,310,438 H Shares, representing 20% of the total issued A Shares and total issued H Shares, respectively, assuming that the numbers of issued A Shares and issued H Shares remain as stated above on the date the proposed special resolution regarding the General Mandate is passed. The Bank will issue and allot new A Shares, the Subscribed H Shares and the Placing Shares under the Proposed Placing pursuant to the General Mandate to be considered and granted by the Shareholders at the EGM.

Subject to the passing of the special resolution for the approval of the General Mandate at the EGM, the General Mandate shall become effective immediately upon the passing of the special resolution for the approval of the General Mandate and will continue to be in force up to (i) the conclusion of the next annual general meeting of the Bank; (ii) the expiration of the 12-month period from the date of passing of the special resolution in relation to the General Mandate at the EGM; and (iii) the date on which the General Mandate is revoked or varied by a special resolution of Shareholders in general meeting, whichever occurs first. The Board intends to propose a special resolution in the upcoming annual general meeting of the Bank to refresh the General Mandate to ensure that the General Mandate shall remain valid and is capable and sufficient to cover the allotment and issue of the new A Shares, the Subscribed H Shares and the Placing Shares under the Proposed Placing in the event that the completion of the Proposed Placing has not taken place prior to conclusion of the upcoming annual general meeting, which is expected to be held in the second quarter of 2012.

Further details in relation to the proposal in respect of the General Mandate to be submitted to the Shareholders for their consideration and approval at the EGM will be set out in the circular which is expected to be dispatched to the Shareholders on or before 23 March 2012.

III. PROPOSED SUBSCRIPTION OF NEW A SHARES AND NEW H SHARES BY HSBC, SSF, MOF AND OTHER SUBSCRIBERS

A. PROPOSED SUBSCRIPTION OF NEW A SHARES AND NEW H SHARES BY CONNECTED PERSONS

As part of the Proposed Placing, HSBC, being a substantial shareholder of the Bank, has agreed to subscribe for 2,355,939,435 new H Shares for a total subscription amount of approximately HK\$13,263.94 million. In addition, SSF, also a substantial shareholder of the Bank, has also agreed to subscribe for 1,877,513,451 new A Shares and 1,405,555,555 new H Shares for a total subscription amount of approximately RMB8,542.69 million and HK\$7,913.28 million, respectively. Further details of the subscription by each of HSBC and SSF are set out below.

1. The HSBC Subscription Agreement

(a) Number of new H Shares to be subscribed by HSBC

On 15 March 2012, the Bank entered into the HSBC Subscription Agreement with HSBC, pursuant to which HSBC will subscribe for in cash 2,355,939,435 new H Shares at the same subscription price for new H Shares as that applicable to MOF, SSF and the H Share Subscribers of HK\$5.63 per new H Share, representing a total subscription amount of approximately HK\$13,263.94 million.

Immediately after completion of the HSBC Subscription Agreement, HSBC will hold in aggregate 14,135,636,613 H Shares, representing 40.37% of the enlarged total issued H Shares of the Bank and 19.03% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing.

(b) Conditions to the HSBC Subscription Agreement

The completion of the subscription by HSBC of new H Shares pursuant to the HSBC Subscription Agreement is conditional upon the following conditions having been fulfilled:

- (i) the approval from the Board of the HSBC Subscription Agreement and the Proposed Placing;
- (ii) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the new H Shares on the Hong Kong Stock Exchange;
- (iii) the granting of a general mandate to allot and issue H Shares by shareholders of the Bank that is capable and sufficient to cover the allotment and issue of the Shares pursuant to the Proposed Placing (including the allotment and issue of the new H Shares to HSBC);
- (iv) the passing by independent Shareholders of the Bank of a resolution approving the transactions of the issue and allotment of the new H Shares by the Bank pursuant to the terms and conditions of the HSBC Subscription Agreement and the other arrangements contemplated by the HSBC Subscription Agreement;
- (v) all necessary PRC governmental and regulatory approvals and consents regarding the Proposed Placing (including the subscription contemplated under the HSBC Subscription Agreement) and other arrangements contemplated by the HSBC Subscription Agreement having been obtained by the Bank;
- (vi) all the closing conditions set out in each of the other subscription agreements that the Bank has entered into with the other subscribers and the Placing Agreement having been satisfied in all respects (other than any closing conditions contained in the other subscription and placing agreements in respect of the HSBC Subscription Agreement);

- (vii) there not having occurred any material breach of, or any event rendering untrue, inaccurate or misleading, any of the representations, warranties or undertakings of the Bank in any material respect under the HSBC Subscription Agreement as given on the date of the HSBC Subscription Agreement and on the date of completion of the subscription contemplated under the HSBC Subscription Agreement; and
- (viii) save as publicly disclosed by the Bank on the HKExnews website and/or the website of the Shanghai Stock Exchange on or before the date of the HSBC Subscription Agreement, there not having been any material adverse change or any development reasonably likely to involve any material adverse change in the earnings, general affairs, management, business, legal or financial condition, shareholders' equity or results of operations of the Bank and its subsidiaries taken as a whole since 31 December 2010, being the date of the last audited consolidated accounts of the Bank.

As at the date of this announcement, the condition under (i) above has been fulfilled.

(c) Payment of subscription price and completion under the HSBC Subscription Agreement

Pursuant to the HSBC Subscription Agreement, after all the conditions of the HSBC Subscription Agreement set out above are satisfied, the Bank shall as soon as reasonably practicable provide HSBC with a written notice setting out the date and time of completion of the subscription (which shall be the third business day following the date of such written notice and which shall be the same date on which the Bank shall issue and allot new H Shares to the other subscribers under the Proposed Placing), the number of new Shares to be subscribed for by HSBC, the subscription price per H Share, the total subscription monies payable by HSBC and details of the account designated for direct transfer of the subscription monies by HSBC to the Bank.

Pursuant to the HSBC Subscription Agreement, HSBC agrees to make full payment of the subscription amount in immediately transferable funds by direct transfer to the bank account designated by the Bank as specified in the aforementioned written notice upon completion of the subscription.

In addition, pursuant to the HSBC Subscription Agreement, if HSBC fails to make payment of the subscription price under the HSBC Subscription Agreement, HSBC shall be liable to pay the Bank 1% of the subscription price as liquidated damages. If such amount of liquidated damages is insufficient to compensate the Bank for its losses, claims and expenses arising out of the default of HSBC, HSBC shall be liable to the Bank for any shortfall. If the Bank fails to allot and issue the new H Shares to HSBC upon full payment of the subscription price by HSBC, the Bank shall return the subscription price to HSBC and shall be liable to pay HSBC 1% of the subscription price as liquidated damages. If such amount of liquidated damages is insufficient to compensate HSBC for its losses, claims and expenses arising out of the default of the Bank, the Bank shall be liable to HSBC for any shortfall.

Pursuant to the HSBC Subscription Agreement, in the event that completion under the HSBC Subscription Agreement does not take place on the expiry date of the effective period of the shareholders' resolution approving the Proposed Placing (being 12 months from the date such resolution is passed), either party to the HSBC Subscription Agreement shall be entitled to terminate the HSBC Subscription Agreement by written notice to the other party and the HSBC Subscription Agreement and all rights and obligations of the parties hereunder shall cease and terminate save for accrued rights and obligations.

(d) Lock-up arrangement

Pursuant to the HSBC Subscription Agreement, HSBC undertakes not to sell, transfer or otherwise dispose of the new H Shares subscribed for within three months from the date of completion of the Proposed Placing.

HSBC currently holds 19.03% interest in the Bank and is therefore a related party (as defined under the SSE Listing Rules) of the Bank. In addition, HSBC is a substantial shareholder of the Bank and therefore a connected person (as defined under the Hong Kong Listing Rules) of the Bank. Accordingly, the subscription by HSBC of, and the issue by the Bank to HSBC, 2,355,939,435 new H Shares under the HSBC Subscription Agreement, constitute a related party transaction under the SSE Listing Rules and a connected transaction under the Hong Kong Listing Rules. Under the SSE Listing Rules, the Hong Kong Listing Rules and relevant PRC law and regulations, HSBC shall abstain from voting on the ordinary resolution in relation to the transactions contemplated under the HSBC Subscription Agreement at the EGM.

2. *The SSF Subscription Agreements*

(a) Number of new A Shares and new H Shares to be subscribed by SSF

On 15 March 2012, the Bank entered into the SSF A Share Subscription Agreement with SSF, pursuant to which SSF will subscribe for in cash 1,877,513,451 new A Shares at the same subscription price for new A Shares as that applicable to MOF, Shanghai Haiyan, Yunnan Hongta and the A Share Subscribers of RMB4.55 per new A Share, representing a total subscription amount of approximately RMB8,542.69 million.

On the same day, the Bank also entered into the SSF H Share Subscription Agreement with SSF, pursuant to which SSF will subscribe for in cash 1,405,555,555 new H Shares at the same subscription price for new H Shares as that applicable to MOF, HSBC and the H Share Subscribers of HK\$5.63 per new H Share, representing a total subscription amount of approximately HK\$7,913.28 million.

Immediately after completion of the SSF Subscription Agreements, SSF will hold in aggregate 1,877,513,451 A Shares, representing approximately 4.78% of the enlarged total issued A Shares of the Bank, and 8,433,333,332 H Shares, representing approximately 24.09% of the enlarged total issued H Shares of the Bank, and which, in aggregate, represents approximately 13.88% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing.

(b) Conditions to the SSF Subscription Agreements

The completion of the subscription by SSF of new A Shares pursuant to the SSF A Share Subscription Agreement is conditional upon the following conditions having been fulfilled:

- (i) the SSF A Share Subscription Agreement and the Proposed Placing having been considered and approved by the Board, which formed effective and valid resolutions;
- (ii) the Proposed Placing having been considered and approved at a general meeting of the Bank, which formed effective and valid resolutions;
- (iii) the approval from the CBRC regarding the Proposed Placing and other administrative matters and arrangements under the Proposed Placing having been obtained by the Bank;
- (iv) the approval from the CSRC regarding the Proposed Placing having been obtained by the Bank; and
- (v) all other necessary approvals regarding the Proposed Placing (if any) from regulatory authorities having jurisdiction over the Bank having been obtained by the Bank.

As at the date of this announcement, the condition under (i) above has been fulfilled.

In addition, the completion of the subscription by SSF of new H Shares pursuant to the SSF H Share Subscription Agreement is conditional upon the following conditions having been fulfilled:

- (i) the approval from the Board of the SSF H Share Subscription Agreement and the Proposed Placing;
- (ii) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the new H Shares on the Hong Kong Stock Exchange;
- (iii) the granting of a general mandate to allot and issue H Shares by shareholders of the Bank that is capable and sufficient to cover the allotment and issue of the new H Shares to SSF;

- (iv) the passing by independent Shareholders of the Bank of a resolution approving the transactions of the issue and allotment of the new H Shares by the Bank pursuant to the terms and conditions of the SSF H Share Subscription Agreement and the other arrangements contemplated by the SSF H Share Subscription Agreement; and
- (v) all necessary PRC governmental and regulatory approvals and consents regarding the subscription and other arrangements contemplated by the SSF H Share Subscription Agreement having been obtained by the Bank.

As at the date of this announcement, the condition under (i) above has been fulfilled.

(c) Payment of subscription price and completion under the SSF A Share Subscription Agreement

Pursuant to the SSF A Share Subscription Agreement, after all the conditions of the SSF A Share Subscription Agreement set out above are satisfied, the Bank shall as soon as reasonably practicable provide SSF with a subscription notice setting out the number of new Shares to be subscribed for by SSF, the subscription price per A Share, the total subscription monies payable by SSF, the date of payment and details of the account designated for direct transfer of the subscription monies by SSF to the Bank.

Completion of the subscription of new A Shares by SSF pursuant to the SSF A Share Subscription Agreement shall take place after the payment of the subscription monies by SSF and upon the completion of capital verification and share registration.

In addition, pursuant to the SSF A Share Subscription Agreement, if SSF fails to make payment of the subscription price under the SSF A Share Subscription Agreement, SSF shall be liable to pay the Bank 1% of the subscription price as liquidated damages. If the Bank fails to allot and issue the new A Shares to SSF upon full payment of the subscription price by SSF, the Bank shall return the subscription price to SSF and shall be liable to pay SSF 1% of the subscription price as liquidated damages.

Pursuant to the SSF A Share Subscription Agreement, in the event that the completion of the Proposed Placing by the Bank does not take place on the expiry date of the effective period of the shareholders' resolution approving the Proposed Placing (being 12 months from the date such resolution is passed), either party to the SSF A Share Subscription Agreement shall be entitled to terminate the SSF A Share Subscription Agreement by written notice to the other party.

(d) Payment of subscription price and completion under the SSF H Share Subscription Agreement

Pursuant to the SSF H Share Subscription Agreement, after all the conditions of the SSF H Share Subscription Agreement set out above are satisfied, the Bank shall as soon as reasonably practicable provide SSF with a written notice setting out the date and time of completion of the subscription, the number of new Shares to be subscribed for by SSF, the subscription price per H Share, the total subscription monies payable by SSF and details of the account designated for direct transfer of the subscription monies by SSF to the Bank.

Pursuant to the SSF H Share Subscription Agreement, SSF agrees to make full payment of the subscription amount in immediately transferable funds by direct transfer to the bank account designated by the Bank as specified in the aforementioned written notice upon completion of the subscription for the new H Shares.

In addition, pursuant to the SSF H Share Subscription Agreement, if SSF fails to make payment of the subscription price under the SSF H Share Subscription Agreement, SSF shall be liable to pay the Bank 1% of the subscription price as liquidated damages. If the Bank fails to allot and issue the new H Shares to SSF upon full payment of the subscription price by SSF, the Bank shall return the subscription price to SSF and shall be liable to pay SSF 1% of the subscription price as liquidated damages.

Pursuant to the SSF H Share Subscription Agreement, in the event that completion under the SSF H Share Subscription Agreement does not take place on the expiry date of the effective period of the shareholders' resolution approving the Proposed Placing (being 12 months from the date such resolution is passed), either party to the SSF H Share Subscription Agreement shall be entitled to terminate the SSF H Share Subscription Agreement by written notice to the other party and the SSF H Share Subscription Agreement and all rights and obligations of the parties hereunder shall cease and terminate save for accrued rights and obligations.

(e) Lock-up arrangement

Pursuant to the SSF A Share Subscription Agreement and applicable PRC laws and regulations, SSF agrees not to transfer the new A Shares subscribed for within 36 months from the date of completion of the Proposed Placing.

In addition, pursuant to the SSF H Share Subscription Agreement, SSF undertakes not to sell, transfer or otherwise dispose of the new H Shares subscribed for within three months from the date of completion of the Proposed Placing.

SSF currently holds 11.36% interest in the Bank and is therefore a related party (as defined under the SSE Listing Rules) of the Bank. In addition, SSF is a substantial shareholder of the Bank and therefore a connected person (as defined under the Hong Kong Listing Rules) of the Bank. Accordingly, the subscription by SSF of, and the issue by the Bank to SSF, 1,877,513,451 new A Shares under the SSF A Share Subscription Agreement and 1,405,555,555 new H Shares under the SSF H Share Subscription Agreement, constitute a related party transaction under the SSE Listing Rules and a connected transaction under the Hong Kong Listing Rules. Under the SSE Listing Rules, the Hong Kong Listing Rules and relevant PRC law and regulations, SSF shall abstain from voting on the ordinary resolution in relation to the transactions contemplated under the SSF Subscription Agreements at the EGM.

B. PROPOSED SUBSCRIPTION OF NEW A SHARES AND NEW H SHARES BY MOF

(a) Number of new A Shares and new H Shares to be subscribed by MOF

On 15 March 2012, the Bank has agreed to issue and allot to MOF 2,530,340,780 new A Shares which MOF has agreed to subscribe for in cash at the same subscription price for new A Shares as that applicable to SSF, Shanghai Haiyan, Yunnan Hongta and the A Share Subscribers of RMB4.55 per new A Share, representing a total subscription amount of approximately RMB11,513.05 million.

On the same day, the Bank has further agreed to issue and allot to MOF 758,999,999 new H Shares which MOF has agreed to subscribe for in cash at the same subscription price for new H Shares as that applicable to HSBC, SSF and the H Share Subscribers of HK\$5.63 per new H Share, representing a total subscription amount of approximately HK\$4,273.17 million.

Immediately after completion of the MOF Subscription, MOF will hold in aggregate 15,148,693,829 A Shares, representing approximately 38.59% of the enlarged total issued A Shares of the Bank, and 4,553,999,999 H Shares, representing approximately 13.01% of the enlarged total issued H Shares of the Bank, and which, in aggregate, represents approximately 26.53% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing.

(b) Conditions of the MOF Subscription

The MOF Subscription is subject to the same conditions as the Proposed Placing set out above.

(c) Payment of subscription price

MOF agrees that the total subscription amount for its subscription of new A Shares and new H Shares under the Proposed Placing will be paid in cash to the bank account designated for direct transfer of the subscription monies by MOF to the Bank.

(d) Lock-up arrangement

Pursuant to applicable PRC laws and regulations, MOF agrees that it shall not transfer the new A Shares subscribed for within 36 months from the date of completion of the Proposed Placing. MOF further agrees not to sell, transfer or otherwise dispose of the new H Shares subscribed for within three months from the date of completion of the Proposed Placing.

As MOF currently holds 26.52% interest in the Bank, it is a related party of the Bank pursuant to the SSE Listing Rules and therefore the subscription by MOF of, and the issue by the Bank to MOF, 2,530,340,780 new A Shares and 758,999,999 new H Shares, constitute a related party transaction under the SSE Listing Rules. Under the SSE Listing Rules and relevant PRC law and regulations, MOF shall abstain from voting on the ordinary resolution in relation to the MOF Subscription at the EGM. As MOF is a PRC Governmental Body, it is not a connected person of the Bank under the Hong Kong Listing Rules.

C. PROPOSED SUBSCRIPTION OF NEW A SHARES BY SHANGHAI HAIYAN

(a) Number of new A Shares to be subscribed by Shanghai Haiyan

On 15 March 2012, the Bank entered into the Shanghai Haiyan Subscription Agreement with Shanghai Haiyan, pursuant to which Shanghai Haiyan will subscribe for in cash 439,560,439 new A Shares at the same subscription price for new A Shares as that applicable to MOF, SSF, Yunnan Hongta and the A Share Subscribers of RMB4.55 per new A Share, representing a total subscription amount of approximately RMB2,000.00 million.

Immediately after completion of the Shanghai Haiyan Subscription Agreement, Shanghai Haiyan will hold in aggregate 808,145,417 A Shares, representing 2.06% of the enlarged total issued A Shares of the Bank and 1.09% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing.

(b) Conditions to the Shanghai Haiyan Subscription Agreement

The completion of the subscription by Shanghai Haiyan of new A Shares pursuant to the Shanghai Haiyan Subscription Agreement is conditional upon the following conditions having been fulfilled:

- (i) the Shanghai Haiyan Subscription Agreement and the Proposed Placing having been considered and approved by the Board, which formed effective and valid resolutions;
- (ii) the Proposed Placing having been considered and approved at a general meeting of the Bank, which formed effective and valid resolutions;
- (iii) the approval from the CBRC regarding the Proposed Placing and other administrative matters and arrangements under the Proposed Placing having been obtained by the Bank;
- (iv) the approval from the CSRC regarding the Proposed Placing having been obtained by the Bank; and
- (v) all other necessary approvals regarding the Proposed Placing (if any) from regulatory authorities having jurisdiction over the Bank having been obtained by the Bank.

As at the date of this announcement, the condition under (i) above has been fulfilled.

(c) Payment of subscription price and completion under the Shanghai Haiyan Subscription Agreement

Pursuant to the Shanghai Haiyan Subscription Agreement, after all the conditions of the Shanghai Haiyan Subscription Agreement set out above are satisfied, the Bank shall as soon as reasonably practicable provide Shanghai Haiyan with a subscription notice setting out the number of new Shares to be subscribed for by Shanghai Haiyan, the subscription price per A Share, the total subscription monies payable by Shanghai Haiyan, the date of payment and details of the account designated for direct transfer of the subscription monies by Shanghai Haiyan to the Bank.

Completion of the subscription of new A Shares by Shanghai Haiyan pursuant to the Shanghai Haiyan Subscription Agreement shall take place after the payment of the subscription monies by Shanghai Haiyan and upon the completion of capital verification and share registration.

In addition, pursuant to the Shanghai Haiyan Subscription Agreement, if Shanghai Haiyan fails to make payment of the subscription price under the Shanghai Haiyan Subscription Agreement, Shanghai Haiyan shall be liable to pay the Bank 1% of the subscription price as liquidated damages. If such amount of liquidated damages is insufficient to compensate the Bank for its losses, claims and expenses arising out of the default of Shanghai Haiyan, Shanghai Haiyan shall be liable to the Bank for any shortfall. If the Bank fails to allot and issue the new A Shares to Shanghai Haiyan upon full payment of the subscription price by Shanghai Haiyan, the Bank shall return the subscription price to Shanghai Haiyan and shall be liable to pay Shanghai Haiyan 1% of the subscription price as liquidated damages.

Pursuant to the Shanghai Haiyan Subscription Agreement, in the event that the completion of the Proposed Placing by the Bank does not take place on the expiry date of the effective period of the shareholders' resolution approving the Proposed Placing (being 12 months from the date such resolution is passed), either party to the Shanghai Haiyan Subscription Agreement shall be entitled to terminate the Shanghai Haiyan Subscription Agreement by written notice to the other party.

(d) Lock-up arrangement

Pursuant to the Shanghai Haiyan Subscription Agreement and applicable PRC laws and regulations, Shanghai Haiyan agrees not to transfer the new A Shares subscribed for within 36 months from the date of completion of the Proposed Placing.

As Mr. Guo Yu, who served as a supervisor of the Bank since August 2010, is the General Manager and Director of Shanghai Haiyan, Shanghai Haiyan is a related party of the Bank pursuant to the SSE Listing Rules and therefore the subscription by Shanghai Haiyan of, and the issue by the Bank to Shanghai Haiyan, 439,560,439 new A Shares under the Shanghai Haiyan Subscription Agreement constitute a related party transaction under the SSE Listing Rules. Under the SSE Listing Rules and relevant PRC law and regulations, Shanghai Haiyan shall abstain from voting on the ordinary resolution in relation to the transactions contemplated under the Shanghai Haiyan Subscription Agreement at the EGM. Shanghai Haiyan is not a connected person of the Bank under the Hong Kong Listing Rules.

D. PROPOSED SUBSCRIPTION OF NEW A SHARES BY YUNNAN HONGTA

(a) Number of new A Shares to be subscribed by Yunnan Hongta

On 15 March 2012, the Bank entered into the Yunnan Hongta Subscription Agreement with Yunnan Hongta, pursuant to which Yunnan Hongta will subscribe for in cash 219,780,219 new A Shares at the same subscription price for new A Shares as that applicable to MOF, SSF, Shanghai Haiyan and the A Share Subscribers of RMB4.55 per new A Share, representing a total subscription amount of approximately RMB1,000.00 million.

Immediately after completion of the Yunnan Hongta Subscription Agreement, Yunnan Hongta will hold in aggregate 658,467,013 A Shares, representing 1.68% of the enlarged total issued A Shares of the Bank and 0.89% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing.

(b) Conditions to the Yunnan Hongta Subscription Agreement

The completion of the subscription by the Yunnan Hongta of new A Shares pursuant to the Yunnan Hongta Subscription Agreement is conditional upon the same conditions as the Shanghai Haiyan Subscription Agreement.

(c) Payment of subscription price and completion under the Yunnan Hongta Subscription Agreement

The completion mechanics and the provisions relating to liquidated damages and long stop date for the Yunnan Hongta Subscription Agreement are the same as that of the Shanghai Haiyan Subscription Agreement.

(d) Lock-up arrangement

Pursuant to the Yunnan Hongta Subscription Agreement and applicable PRC laws and regulations, Yunnan Hongta agrees not to transfer the new A Shares subscribed for within 36 months from the date of completion of the Proposed Placing.

As Mr. Yang Fajia, who served as a supervisor of the Bank since August 2007, is the General Manager and Director of Yunnan Hongta, Yunnan Hongta is a related party of the Bank pursuant to the SSE Listing Rules and therefore the subscription by Yunnan Hongta of, and the issue by the Bank to Yunnan Hongta, 219,780,219 new A Shares under the Yunnan Hongta Subscription Agreement constitute a related party transaction under the SSE Listing Rules. Under the SSE Listing Rules and relevant PRC law and regulations, Yunnan Hongta shall abstain from voting on the ordinary resolution in relation to the transactions contemplated under the Yunnan Hongta Subscription Agreement at the EGM. Yunnan Hongta is not a connected person of the Bank under the Hong Kong Listing Rules.

E. PROPOSED SUBSCRIPTION OF NEW A SHARES BY THE A SHARE SUBSCRIBERS UNDER THE A SHARE SUBSCRIPTION AGREEMENTS

(a) Number of new A Shares to be subscribed by the A Share Subscribers

On 15 March 2012, the Bank entered into three (3) A Share Subscription Agreements with each of the three (3) A Share Subscribers. Save for the number of new A Shares to be subscribed for by each A Share Subscriber, all other terms and conditions under the A Share Subscription Agreements are substantially the same. Pursuant to the A Share Subscription Agreements, the A Share Subscribers will subscribe for in cash a total of 1,474,615,780 new A Shares at the same subscription price for new A Shares as that applicable to MOF, SSF, Shanghai Haiyan and Yunnan Hongta of RMB4.55 per new A Share, representing a total subscription amount of approximately RMB6,709.50 million.

Immediately after completion of the A Share Subscription Agreements, no individual A Share Subscriber will become a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Bank.

(b) Conditions to the A Share Subscription Agreements

The completion of the subscription by the A Share Subscriber of new A Shares pursuant to the A Share Subscription Agreement is conditional upon the same conditions as the Shanghai Haiyan Subscription Agreement.

(c) Payment of subscription price and completion under the A Share Subscription Agreements

The completion mechanics and the provisions relating to liquidated damages and long stop date for the A Share Subscription Agreements are the same as that of the Shanghai Haiyan Subscription Agreement.

(d) Lock-up arrangement

Pursuant to the A Share Subscription Agreement and applicable PRC laws and regulations, each of the A Share Subscribers agrees not to transfer the new A Shares subscribed for within 36 months from the date of completion of the Proposed Placing.

To the best knowledge, information and belief of the Directors, the A Share Subscribers and their respective ultimate beneficial owners are third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group.

F. PROPOSED SUBSCRIPTION OF NEW H SHARES BY THE H SHARE SUBSCRIBERS UNDER THE H SHARE SUBSCRIPTION AGREEMENTS

(a) Number of new H Shares to be subscribed by the H Share Subscribers

On 15 March 2012, the Bank entered into four (4) H Share Subscription Agreements with each of the four (4) H Share Subscribers. Save for the number of new H Shares to be subscribed for by each H Share Subscriber, all other terms and conditions under the H Share Subscription Agreements are substantially the same. Pursuant to the H Share Subscription Agreements, the H Share Subscribers will subscribe for in cash a total of 1,039,124,892 new H Shares at the same subscription price for new H Shares as that applicable to MOF, HSBC and SSF of HK\$5.63 per new H Share, representing a total subscription amount of approximately HK\$5,850.27 million.

Immediately after completion of the H Share Subscription Agreements, no individual H Share Subscriber will become a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Bank.

(b) Conditions to the H Share Subscription Agreements

The completion of the subscription by the H Share Subscriber of new H Shares pursuant to the H Share Subscription Agreement is conditional upon the same conditions as the SSF H Share Subscription Agreement (save for condition (iv) under the SSF H Share Subscription Agreement which is not applicable to the H Share Subscription Agreements).

(c) Payment of subscription price and completion under the H Share Subscription Agreements

The completion mechanics and the provisions relating to liquidated damages and long stop date for the H Share Subscription Agreements are substantially the same as that of the SSF H Share Subscription Agreement.

(d) Lock-up arrangement

Pursuant to the H Share Subscription Agreement, each of the H Share Subscribers undertakes not to sell, transfer or otherwise dispose of the new H Shares subscribed for within three months from the date of completion of the Proposed Placing.

To the best knowledge, information and belief of the Directors, the H Share Subscribers and their respective ultimate beneficial owners are third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group.

G. THE PLACING AGREEMENT

On 15 March 2012, the Bank entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent agreed as the agent of the Bank to procure, on a fully underwritten basis, independent, professional institutional and/or other investors to subscribe for and purchase the Placing Shares, being an aggregate of 275,690,557 new H Shares.

To the best knowledge, information and belief of the Directors, the Placing Agent and its ultimate beneficial owners are third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group.

(a) The Placees

The Placing Agent has undertaken to place the Placing Shares to such Placees who, together with their respective ultimate beneficial owners, are third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group.

It is expected that none of the Placees will become a substantial shareholder (as defined in the Hong Kong Listing Rules) immediately after completion of the placing contemplated under the Placing Agreement.

(b) Number of Placing Shares

The Placing Shares, being 275,690,557 new H Shares, represent 0.79% of the enlarged total issued H Shares of the Bank and 0.37% of the enlarged total issued share capital of the Bank upon completion of the Proposed Placing.

The aggregate nominal value of the Placing Shares to be issued, with a par value of RMB1.00 each, is approximately RMB275.69 million.

(c) Placing price

Pursuant to the Placing Agreement, the placing price is HK\$5.63 per Placing Share, which is the same as the subscription price for the Subscribed H Shares to be subscribed for by MOF, HSBC, SSF and the H Share Subscribers of HK\$5.63 per new H Share. Based on the total number of Placing Shares and the placing price of HK\$5.63 per Placing Share, the total proceeds from the placing contemplated under the Placing Agreement is approximately HK\$1,552.14 million.

(d) Conditions to the Placing Agreement

The completion of the placing pursuant to the Placing Agreement is conditional upon the following conditions having been fulfilled:

- (i) the approval by the Board of the Placing Agreement and the Proposed Placing;

- (ii) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, all of the new H Shares on the Hong Kong Stock Exchange;
- (iii) the granting of a general mandate to the Board to allot and issue H Shares by shareholders of the Bank that is capable and sufficient to cover the allotment and issue of the Shares pursuant to the Proposed Placing (including the allotment and issue of the new H Shares pursuant to the Placing Agreement);
- (iv) all necessary PRC governmental and regulatory approvals and consents regarding the Proposed Placing (including the placing contemplated under the Placing Agreement) and other arrangements contemplated by the Placing Agreement having been obtained;
- (v) all the closing conditions set out in each of the other subscription agreements that the Bank has entered into with the other subscribers having been satisfied in all respects (other than any closing conditions contained in the other subscription agreements in respect of the Placing Agreement);
- (vi) there not having occurred any material breach of, or any event rendering untrue, inaccurate or misleading, any of the representations, warranties or undertakings of the Bank in any material respect under the Placing Agreement as given on the date of the Placing Agreement and on the date of completion of the subscription contemplated under the Placing Agreement; and
- (vii) save as publicly disclosed by the Bank on the HKExnews website and/or the website of the Shanghai Stock Exchange on or before the date of the Placing Agreement, there not having been any material adverse change or any development reasonably likely to involve any material adverse change in the earnings, general affairs, management, business, legal or financial condition, shareholders' equity or results of operations of the Bank and its subsidiaries taken as a whole since 31 December 2010, being the date of the last audited consolidated accounts of the Bank.

As at the date of this announcement, the condition under (i) above has been fulfilled.

(e) Completion under the Placing Agreement

Completion of the placing pursuant to the Placing Agreement shall take place on the same date as the date of completion of the subscription of the Subscribed H Shares under the Proposed Placing.

H. INFORMATION ON THE BANK, HSBC, SSF, MOF, SHANGHAI HAIYAN AND YUNNAN HONGTA

The Bank is principally engaged in the provision of banking and related financial services. The Bank's three principal lines of business are corporate banking, retail banking and treasury operations. Its treasury operations include, among others, interbank money market transactions, foreign exchange trading and government and bond trading and investment.

HSBC is a substantial shareholder of the Bank which holds 11,779,697,178 H Shares of the Bank as at the date of this announcement, representing 19.03% of the total issued share capital of the Bank. HSBC is therefore a connected person of the Bank. HSBC is a wholly-owned subsidiary of HSBC Holdings plc, a company incorporated in England with limited liability and with its shares listed on the stock exchanges in London, Hong Kong, New York, Paris and Bermuda. HSBC is the founding member of the HSBC group. It is the largest licensed bank in Hong Kong and one of the three note-issuing banks in Hong Kong. For the year 2011, HSBC realized a net profit of HK\$73,904 million. As at 31 December 2011, HSBC had total assets of HK\$5,607,480 million, total liabilities of HK\$5,236,137 million and net assets of HK\$371,343 million, and capital adequacy and core capital adequacy ratio were 14.6% and 12.4%, respectively.

SSF is also a substantial shareholder of the Bank which holds 7,027,777,777 H Shares of the Bank as at the date of this announcement, representing approximately 11.36% of the total issued share capital of the Bank. SSF is therefore a connected person of the Bank. SSF is responsible for the management and operation of the national social security fund. It is a government agency on the ministerial level directly under the State Council and is subject to the supervision of the State Council and other authorized departments of the State Council. The national social security fund includes funds and equity investments arising from the reduction of state-owned shares, funds disbursed by MOF, funds raised from other sources as approved by the State Council and gains from its investments. The national social security fund is earmarked by the PRC government to supplement social security expenses and to be utilized as a swap fund. As at 31 December 2010, total fund assets managed by SSF amounted to RMB856,690 million, of which RMB497,756 million were direct investment assets and RMB358,934 million were entrusted investment assets, accounting for 58.10% and 41.90% of the total fund assets managed by SSF, respectively. As at 31 December 2010, outstanding fund liabilities amounted to RMB19,132 million, mainly represented short-term liabilities arising from its investment operations.

MOF is also a substantial shareholder of the Bank which holds 12,618,353,049 A Shares and 3,795,000,000 H Shares of the Bank as at the date of this announcement, representing approximately 26.52% of the total issued share capital of the Bank. MOF is responsible for various matters, which includes overseeing the country's fiscal revenue, expenditure and taxation policies and is a constituent part of the State Council. MOF is a PRC Governmental Body (as defined in the Hong Kong Listing Rules).

Shanghai Haiyan holds 368,584,978 A Shares of the Bank as at the date of this announcement, representing approximately 0.60% of the total issued share capital of the Bank. Shanghai Haiyan is a company established in the PRC and Shanghai Tobacco Group Co., Ltd. is the controlling shareholder of Shanghai Haiyan. The principal business activity of Shanghai Haiyan includes enterprise investments, investment management and asset management, project management, corporate management consulting (other than brokerage) and domestic trading management (other than special inspection). According to the audited consolidated financial statements for the year 2010, Shanghai Haiyan had total assets of RMB5,838 million, net assets of RMB5,692 million, current assets of RMB1,809 million and current liabilities of RMB146 million.

Yunnan Hongta holds 438,686,794 A Shares of the Bank as at the date of this announcement, representing approximately 0.71% of the total issued share capital of the Bank. Yunnan Hongta is a company established in the PRC and Hongta Tobacco (Group) Co., Ltd. is the controlling shareholder of Yunnan Hongta. Yunnan Hongta is mainly responsible for the diversified investment management of Hongta Tobacco (Group) Co., Ltd. with an aim to preserve value of and add value to state-owned assets. According to the audited consolidated financial statements for the year 2010, Yunnan Hongta had total assets of RMB30,833 million, net assets of RMB17,084 million, current assets of RMB17,727 million and current liabilities of RMB13,614 million.

I. HONG KONG LISTING RULES AND SSE LISTING RULES IMPLICATIONS

Each of HSBC and SSF is a substantial shareholder of the Bank. Accordingly, each of HSBC and SSF is a connected person of the Bank and the transactions contemplated under the HSBC Subscription Agreement and the SSF Subscription Agreements constitute connected transactions of the Bank and are subject to reporting, announcement and independent Shareholders' approval requirements under the Hong Kong Listing Rules. The Bank intends to hold an EGM as soon as practicable, at which meeting shareholders' approval in respect of the Proposed Placing and the grant of the General Mandate, and independent Shareholders' approval for the transactions contemplated under the HSBC Subscription Agreement and the SSF Subscription Agreements will be sought. HSBC and its associates will abstain from voting on the ordinary resolution relating to the transactions contemplated under the HSBC Subscription Agreement and SSF and its associates will abstain from voting on the ordinary resolution relating to the transactions contemplated under the SSF Subscription Agreements, respectively, at the EGM.

As MOF is a PRC Governmental Body, it is not a connected person (as defined in the Hong Kong Listing Rules) of the Bank and therefore the subscription by MOF of, and the issue by the Bank to MOF, 2,530,340,780 new A Shares and 758,999,999 new H Shares, does not constitute a connected transaction of the Bank under the Hong Kong Listing Rules. However, as MOF holds approximately 26.52% interest in the Bank, it is a related party of the Bank pursuant to the SSE Listing Rules and it shall abstain from voting on the ordinary resolution in relation to the MOF Subscription at the EGM.

Shanghai Haiyan is not a connected person (as defined in the Hong Kong Listing Rules) of the Bank and therefore the subscription by Shanghai Haiyan, and the issue by the Bank to Shanghai Haiyan, of 439,560,439 new A Shares under the Shanghai Haiyan Subscription Agreement, does not constitute a connected transaction of the Bank under the Hong Kong Listing Rules. However, as Mr. Guo Yu, who served as a supervisor of the Bank since August 2010, is the General Manager and Director of Shanghai Haiyan, Shanghai Haiyan is a related party of the Bank pursuant to the SSE Listing Rules and it shall abstain from voting on the ordinary resolution relating to the transactions contemplated under the Shanghai Haiyan Subscription Agreement at the EGM.

Yunnan Hongta is not a connected person (as defined in the Hong Kong Listing Rules) of the Bank and therefore the subscription by Yunnan Hongta, and the issue by the Bank to Yunnan Hongta, 219,780,219 new A Shares under the Yunnan Hongta Subscription Agreement, does not constitute a connected transaction of the Bank under the Hong Kong Listing Rules. However, as Mr. Yang Fajia, who served as a supervisor of the Bank since August 2007, is the General Manager and Director of Yunnan Hongta, Yunnan Hongta is a related party of the Bank pursuant to the SSE Listing Rules and it shall abstain from voting on the ordinary resolution relating to the transactions contemplated under the Yunnan Hongta Subscription Agreement at the EGM.

As each of MOF, HSBC, SSF, Shanghai Haiyan and Yunnan Hongta is a related party (as defined under the SSE Listing Rules) of the Bank, MOF, HSBC, SSF, Shanghai Haiyan, Yunnan Hongta and their respective associates will abstain from voting on the special resolution in respect of the proposed issuance and placing of new A Shares and new H Shares at the EGM.

The MOF Subscription, the terms of the HSBC Subscription Agreement, the SSF Subscription Agreements, the Shanghai Haiyan Subscription Agreement, the Yunnan Hongta Subscription Agreement, the A Share Subscription Agreements, the H Share Subscription Agreements and the Placing Agreement were determined after arm's length negotiations between the Bank and each of MOF, HSBC, SSF, Shanghai Haiyan, Yunnan Hongta, the A Share Subscribers, the H Share Subscribers and the Placing Agent. The Directors consider that the MOF Subscription, the terms of the HSBC Subscription Agreement, the SSF Subscription Agreements, the Shanghai Haiyan Subscription Agreement, the Yunnan Hongta Subscription Agreement, the A Share Subscription Agreements, the H Share Subscription Agreements and the Placing Agreement, including the subscription price and placing price (as the case may be), are on normal commercial terms, are fair and reasonable and are in the interests of the Bank and the Shareholders as a whole.

An Independent Board Committee has been formed to advise the independent Shareholders on the terms of the Connected Persons Subscription. China Everbright Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on the same. For details of such advices, please refer to the circular which is expected to be dispatched by the Bank to the Shareholders on or before 23 March 2012.

Mr. Wong Tung Shun, Peter and Ms. Fung Yuen Mei, Anita are considered to have a material interest in the transactions contemplated under the HSBC Subscription Agreement and Mr. Ma Qiang is considered to have a material interest in the transactions contemplated under the SSF Subscription Agreements and therefore have abstained from voting in the relevant board resolutions in respect of the Connected Persons Subscription. In addition, Mr. Zhang Jixiang, Mr. Hu Huating and Ms. Du Yuemei are considered to have a material interest in the MOF Subscription and as MOF is a related party (as defined under the Shanghai Listing Rules) of the Bank, these three Directors have also abstained from voting in the relevant board resolutions pursuant to relevant laws and regulations. Save as disclosed above, none of the Directors have a material interest in the Connected Persons Subscription and the Proposed Placing hence no other Director is required to abstain from voting in the relevant board resolutions.

IV.EFFECT ON THE SHAREHOLDING STRUCTURE OF THE BANK

The shareholding structures of the Bank as at the date of this announcement and immediately after completion of the Proposed Placing are set out in the table below:

As at the date of this announcement:

Name of Shareholder	Number of Shares held	Percentage of the issued A Shares of the Bank	Percentage of the issued H Shares of the Bank	Percentage of the total issued share capital of the Bank
MOF	12,618,353,049 A Shares 3,795,000,000 H Shares	38.58%	13.01%	26.52%
HSBC	11,779,697,178 H Shares	—	40.37%	19.03%
SSF	7,027,777,777 H Shares	—	24.09%	11.36%
Shanghai Haiyan	368,584,978 A Shares	1.13%	—	0.60%
Yunnan Hongta	438,686,794 A Shares	1.34%	—	0.71%
Other public holders of A Shares	19,283,428,525 A Shares	58.95%	—	31.16%
Other public holders of H Shares	6,574,077,237 H Shares	—	22.53%	10.62%
	<u>61,885,605,538 Shares</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Immediately after completion of the Proposed Placing:

Name of Shareholder	Number of Shares held	Percentage of the issued A Shares of the Bank	Percentage of the issued H Shares of the Bank	Percentage of the total issued share capital of the Bank
MOF	15,148,693,829 A Shares 4,553,999,999 H Shares	38.59%	13.01%	26.53%
HSBC	14,135,636,613 H Shares	—	40.37%	19.03%
SSF	1,877,513,451 A Shares 8,433,333,332 H Shares	4.78%	24.09%	13.88%
Shanghai Haiyan	808,145,417 A Shares	2.06%	—	1.09%
Yunnan Hongta	658,467,013 A Shares	1.68%	—	0.89%
Other public holders of A Shares (including the A Share Subscribers)	20,758,044,305 A Shares	52.89%	—	27.95%
Other public holders of H Shares (including the H Share Subscribers and the Placees)	7,888,892,686 H Shares	—	22.53%	10.62%
	<u>74,262,726,645 Shares</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

V. REASONS FOR THE PROPOSED PLACING

The main purpose of the Proposed Placing is to increase the capital adequacy ratio by replenishing core capital, in order to satisfy the capital needs of the Bank to achieve sustainable and stable business development and expansion in the scale of assets and the increasingly stringent regulatory requirements, as well as to strengthen the Bank's ability of resisting risks and profitability and ensuring sustained, rapid and sound development of the business of the Bank in response to the rapid changes of and challenges arising from the global economy, thereby achieving optimal returns to Shareholders as a whole.

In addition, the MOF Subscription and the Connected Persons Subscription also demonstrate the confidence that MOF, HSBC and SSF places in the Bank, which is conducive to enhancing the market image of the Bank.

VI. FUND RAISING IN THE PAST TWELVE MONTHS

The Bank has not conducted any fund raising activities involving the issue of equity within the 12 months immediately prior to the date of this announcement.

VII. DISPATCH OF CIRCULAR

A circular containing, among other things, information on the Proposed Placing, the General Mandate, the Connected Persons Subscription and the letter of the Independent Financial Advisor and recommendation of the Independent Board Committee in relation to the Connected Persons Subscription is expected to be dispatched to the Shareholders on or before 23 March 2012.

VIII. GENERAL

This announcement appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Bank.

IX. RESUMPTION OF TRADING

At the request of the Bank, trading in H Shares on the Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on Thursday, 15 March 2012, pending the release of this announcement. Application has been made by the Bank to the Hong Kong Stock Exchange for the resumption of trading in the H Shares on the Hong Kong Stock Exchange with effect from 9:00 a.m. on Friday, 16 March 2012.

The Shareholders and potential investors should be aware that the Proposed Placing is subject to certain conditions being satisfied, and consequently the Proposed Placing may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Bank.

X. DEFINITIONS

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

“A Share(s)”	PRC-listed domestic Share(s) of par value of RMB1.00 each in the registered capital of the Bank
“A Share Subscribers”	Ping An Asset Management Co., Ltd., China First Automobile Works Group Corporation and China National Tobacco Corp. Zhejiang, being subscribers for new A Shares under the Proposed Placing (other than MOF, SSF, Shanghai Haiyan and Yunnan Hongta), all being third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group, and an “A Share Subscriber” shall mean each or any one of them
“A Share Subscription Agreements”	three (3) share subscription agreements separately entered into between each A Share Subscriber and the Bank on 15 March 2012 in relation to the subscription of new A Shares by the A Share Subscriber under the Proposed Placing in cash at the subscription price of RMB4.55 per new A Share, and pursuant to these share subscription agreements the A Share Subscribers shall subscribe for a total of 1,474,615,780 new A Shares under the Proposed Placing with a total subscription amount of approximately RMB6,709.50 million, and an “A Share Subscription Agreement” shall mean each or any of them
“associates”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Bank”	Bank of Communications Co., Ltd. (交通銀行股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the A Shares and H shares of which are listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, respectively
“Board”	the board of Directors of the Bank
“CBRC”	the China Banking Regulatory Commission of the People’s Republic of China
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Connected Persons Subscription”	collectively, the subscriptions contemplated under the HSBC Subscription Agreement and the SSF Subscription Agreements

“CSRC”	the China Securities Regulatory Commission of the People’s Republic of China
“Directors”	the directors of the Bank
“EGM”	the extraordinary general meeting of the Bank to be convened to consider and approve, among other things, the Proposed Placing, the General Mandate and the Connected Persons Subscription
“General Mandate”	a general mandate proposed to be granted to the Directors to exercise the powers of the Bank to issue, allot and deal with new A Shares and/or H Shares
“Group”	the Bank and all of its subsidiaries
“H Share(s)”	overseas listed foreign share(s) of par value of RMB1.00 each in the registered capital of the Bank
“H Share Subscribers”	Best Investment Corporation (a wholly-owned subsidiary of CIC International Co., Ltd.), China Life Insurance (Overseas) Company Limited, China Re Asset Management Company Limited and New China Life Insurance Company Ltd., being subscribers for new H Shares under the Proposed Placing (other than MOF, HSBC and SSF), all being third parties independent of the Group and connected persons (as defined in the Hong Kong Listing Rules) of the Group, and an “H Share Subscriber” shall mean each or any one of them
“H Share Subscription Agreements”	four (4) subscription agreements separately entered into between each H Share Subscriber and the Bank on 15 March 2012 in relation to the subscription of new H Shares by the H Share Subscriber under the Proposed Placing in cash at the subscription price of HK\$5.63 per new H Share, and pursuant to these share subscription agreements the H Share Subscribers shall subscribe for a total of 1,039,124,892 new H Shares under the Proposed Placing with a total subscription amount of approximately HK\$5,850.27 million, and an “H Share Subscription Agreement” shall mean each or any of them
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited, a substantial shareholder of the Bank
“HSBC Subscription Agreement”	the subscription agreement entered into between HSBC and the Bank on 15 March 2012 in relation to the subscription of 2,355,939,435 new H Shares by HSBC under the Proposed Placing for a total subscription amount of approximately HK\$13,263.94 million in cash at the subscription price of HK\$5.63 per new H Share
“Independent Board Committee”	the independent board committee of the Bank comprising Dr. Li Ka-cheung, Eric, Mr. Gu Mingchao, Mr. Wang Weiqiang, Mr. Peter Hugh Nolan, Mr. Chen Zhiwu and Mr. Choi Yiu-kwan, being all the Independent Non-executive Directors, established for the purpose of advising independent Shareholders in relation to the Connected Persons Subscription
“Independent Financial Advisor”	China Everbright Capital Limited, the independent financial advisor appointed by the Bank to advise the Independent Board Committee and the independent Shareholders in respect of the Connected Persons Subscription
“Independent Non-executive Director(s)”	the independent non-executive Directors of the Bank
“MOF”	The Ministry of Finance of the People’s Republic of China, a substantial shareholder of the Bank
“MOF Subscription”	the subscription of 2,530,340,780 new A Shares and 758,999,999 new H Shares by MOF under the Proposed Placing for a total subscription amount of approximately RMB11,513.05 million and HK\$4,273.17 million, respectively, in cash at the subscription price of RMB4.55 per new A Share and HK\$5.63 per new H Share, respectively
“SSF”	the National Council for Social Security Fund (全國社會保障基金理事會), a substantial shareholder of the Bank
“SSF Subscription Agreements”	collectively, the SSF A Share Subscription Agreement and the SSF H Share Subscription Agreement

“SSF A Share Subscription Agreement”	the share subscription agreement entered into between SSF and the Bank on 15 March 2012 in relation to the subscription of 1,877,513,451 new A Shares by SSF under the Proposed Placing for a total subscription amount of approximately RMB8,542.69 million in cash at the subscription price of RMB4.55 per new A Share
“SSF H Share Subscription Agreement”	the subscription agreement entered into between SSF and the Bank on 15 March 2012 in relation to the subscription of 1,405,555,555 new H Shares by SSF under the Proposed Placing for a total subscription amount of approximately HK\$7,913.28 million in cash at the subscription price of HK\$5.63 per new H Share
“Placees”	professional, institutional and other investors selected and procured by the Placing Agent to subscribe for or purchase (as the case may be) any of the Placing Shares pursuant to the Placing Agreement
“Placing Agent”	CITIC Securities Corporate Finance (HK) Limited
“Placing Agreement”	the placing agreement entered into between the Placing Agent and the Bank on 15 March 2012 in relation to the placement of the Placing Shares under the Proposed Placing on a fully underwritten basis at the placing price of HK\$5.63 per Placing Share
“Placing Shares”	275,690,557 new H Shares to be allotted and issued by the Bank pursuant to the Placing Agreement
“PRC”	the People’s Republic of China, and for the purposes of this announcement only, excluding Hong Kong, Macau and Taiwan
“PRC Governmental Body”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Price Determination Date”	15 March 2012, being the date of this announcement and the date on which the subscription price was fixed for the purposes of the Proposed Placing
“Proposed Placing”	the proposed non-public issuance and placing of 6,541,810,669 new A Shares and 5,559,619,881 Subscribed H Shares at the subscription price of RMB4.55 per A Share and HK\$5.63 per Subscribed H Share, respectively, by the Bank to 12 subscribers in total, including MOF, HSBC, SSF, Shanghai Haiyan and Yunnan Hongta, and the placing of 275,690,557 Placing Shares at the placing price of HK\$5.63 per Placing Share by the Placing Agent

“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Haiyan”	Shanghai Haiyan Investment Management Company Limited, one of the subscriber of new A Shares under the Proposed Placing and a related party of the Bank under the SSE Listing Rules
“Shanghai Haiyan Subscription Agreement”	the share subscription agreement entered into between Shanghai Haiyan and the Bank on 15 March 2012 in relation to the subscription of 439,560,439 new A Shares by Shanghai Haiyan under the Proposed Placing for a total subscription amount of approximately RMB2,000.00 million in cash at the subscription price of RMB4.55 per new A Share
“Share(s)”	A Share(s) and/or H Share(s)
“Shareholder(s)”	the holder(s) of Shares
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
“Subscribed H Shares”	5,559,619,881 new H Shares in aggregate to be subscribed for by MOF, HSBC, SSF and the H Share Subscribers under the Proposed Placing and to be allotted and issued by the Bank pursuant to the General Mandate
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“trading day”	with respect to A Shares, means a day on which the Shanghai Stock Exchange is open for dealing or trading in securities, and with respect to H Shares, means a day on which the Hong Kong Stock Exchange is open for dealing or trading in securities
“Yunnan Hongta”	Yunnan Hongta Group Company Limited, one of the subscriber of new A Shares under the Proposed Placing and a related party of the Bank under the SSE Listing Rules
“Yunnan Hongta Subscription Agreement”	the share subscription agreement entered into between Yunnan Hongta and the Bank on 15 March 2012 in relation to the subscription of 219,780,219 new A Shares by Yunnan Hongta under the Proposed Placing for a total subscription amount of approximately RMB1,000.00 million in cash at the subscription price of RMB4.55 per new A Share
“%”	per cent.

Unless otherwise specified in this announcement, translations of RMB into HK\$ are made in this announcement for illustration only, at the rate of RMB0.81601 to HK\$1.00. No representation is made that any amounts in Renminbi could have been or could be converted at that rate or at any other rates or at all.

Unless otherwise stated, all the numerical figures are rounded to two decimal places. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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

Shanghai, the PRC
15 March 2012

As at the date of this announcement, the directors of the Bank are Mr. Hu Huaibang, Mr. Niu Ximing, Mr. Qian Wenhui, Mr. Wang Bin, Mr. Zhang Jixiang, Mr. Hu Huating*, Ms. Du Yuemei*, Mr. Wong Tung Shun, Peter*, Ms. Fung Yuen Mei, Anita*, Mr. Ma Qiang*, Mr. Lei Jun*, Dr. Li Ka-cheung, Eric[#], Mr. Gu Mingchao[#], Mr. Wang Weiqiang[#], Mr. Peter Hugh Nolan[#], Mr. Chen Zhiwu[#] and Mr. Choi Yiu-kwan[#].*

* *Non-executive directors*

[#] *Independent non-executive directors*