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招商銀行股份有限公司

**CHINA MERCHANTS BANK CO., LTD.**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(stock code: 3968)**

## **DISCLOSEABLE AND CONNECTED TRANSACTION**

After trading hours on 5 May 2008, the Company entered into the Share Transfer Agreement with Dingzun, pursuant to which the Company agreed to acquire from Dingzun its 50% equity interest in CIGNA & CMC Life Insurance for a consideration of RMB141,865,000.

CM Steam Navigation, a wholly owned subsidiary of CM Group, is one of the promoters and a substantial shareholder of the Company. CM Group is an indirect controlling shareholder of Dingzun which in turn holds 50% equity interest in CIGNA & CMC Life Insurance. Dingzun is therefore a connected person of the Company under the Hong Kong Listing Rules. The Transaction contemplated by the Share Transfer Agreement constitutes a connected transaction to the Company, which are subject to Independent Shareholders' approval pursuant to Rule 14A.18 of the Hong Kong Listing Rules.

The Directors are of the view that the Share Transfer Agreement has been entered into on normal commercial terms in the ordinary and usual course of business of the Company and the terms of the Share Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. The view of the Independent Directors of the Company on the Share Transfer Agreement will be included in the related circular to be dispatched to the shareholders of the Company.

As certain applicable percentage ratios in respect of the Transaction is more than 5% but less than 25%, the Transaction, therefore, constitutes a discloseable and connected transaction of the Company for the purpose of the Hong Kong Listing Rules. The Transaction is subject to the disclosure requirements under Chapter 14 of the Hong Kong Listing Rules and the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules as well as the Independent Shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules.

The Company proposes to seek the approval of the Independent Shareholders at the AGM relating to the Transaction. CM Group will abstain from voting in respect of the resolution regarding the Transaction at the AGM.

A circular containing, among others, further details of the Transaction and the Share Transfer Agreement, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and the notice of AGM will be dispatched to the shareholders as soon as practicable.

## **INTRODUCTION**

After trading hours on 5 May 2008, the Company entered into the Share Transfer Agreement with Dingzun, pursuant to which the Company agreed to acquire from Dingzun its 50% equity interest in CIGNA & CMC Life Insurance for a consideration of RMB141,865,000.

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## **SHARE TRANSFER AGREEMENT**

Date:	5 May 2008
Parties:	(1) Dingzun as vendor (2) the Company as purchaser
Interest to be acquired:	equity interests representing 50% of the registered capital of CIGNA & CMC Life Insurance
Consideration:	The consideration for the purchase of 50% equity interests in CIGNA & CMC Life Insurance is RMB141,865,000
Conditions Precedent:	Closing is subject to the satisfaction or waiver of the following conditions:  (1) the Independent Financial Adviser has advised the Independent Directors that the terms and conditions of the Transaction contemplated by the Share Transfer Agreement are fair and reasonable so far as the Independent Shareholders are concerned;  (2) the Independent Directors recommended that the Independent Shareholders vote in favour of the Transaction;  (3) the parties of the Transaction have obtained all necessary approvals (including but not limited to the approvals and consents from the CBRC and CIRC) as stipulated by the applicable PRC laws and the parties' respective articles of association;  (4) there are no proceedings, orders or actions taken out or issued by any PRC government agencies or third parties where such proceedings, orders or actions will materially restrict or prohibit the conduct of the Transaction;

- (5) the existing shareholder of CIGNA & CMC Life Insurance has agreed to waive its pre-emptive right regarding the Transaction contemplated by the Share Transfer Agreement

Completion: Closing shall take place on a date to be agreed between the parties, after the conditions having been satisfied or waived (only in respect of items (4) and (5) above)

## INFORMATION REGARDING CIGNA AND CMC LIFE INSURANCE

CIGNA & CMC Life Insurance was incorporated on 4 August 2003, with a registered capital of RMB320 million to-date. The principal business of CIGNA and CMG Life Insurance includes the life insurance, accidents and health insurance products. Under the PRC laws, the participation in and operation of such business is subject to approval by the CBRC and CIRC.

The following sets out the net asset value of CIGNA & CMC Life Insurance as at 30 June 2007 and 31 December 2007, and the audited and unaudited net profits of CIGNA & CMC Life Insurance before and after taxation for the years ended 31 December 2006 and 31 December 2007, respectively, all prepared in accordance with PRC accounting standards:

<b>Net Asset Value</b>		<b>Net Profits (losses)</b>		<b>Net Profits (losses)</b>	
<b>as at</b>	<b>as at</b>	<b>before taxation</b>		<b>after taxation</b>	
<b>30 June</b>	<b>31 December</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>2007</b>	<b>2007</b>	<b>(unaudited)</b>	<b>(audited)</b>	<b>(unaudited)</b>	<b>(audited)</b>
<b>(audited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(audited)</b>	<b>(unaudited)</b>	<b>(audited)</b>
<i>RMB (millions)</i>	<i>RMB (millions)</i>	<i>RMB (millions)</i>	<i>RMB (millions)</i>	<i>RMB (millions)</i>	<i>RMB (millions)</i>
232	285	40.10	(14.72)	40.10	(14.72)

After Closing, the Company shall hold 50% equity interest in CIGNA & CMC Life Insurance which will become a non-wholly subsidiary of the Company. The future financial statements of CIGNA & CMC Life Insurance will be consolidated into the Company's financial statements after Closing. The other shareholder of CIGNA & CMC Life Insurance is Life Insurance Company of North America, a CIGNA Company.

Pursuant to the relevant constitutive documents of CIGNA & CMC Life Insurance, the sale or purchase of the shares in CIGNA & CMC Life Insurance by its shareholders is subject to obtaining approval from the CIRC. After Closing, the board of CIGNA & CMC Life Insurance will comprise a total of 6 directors, of which the Company shall be entitled to appoint 3 directors, one of whom will be the chairman of the board, whilst the other shareholder shall be entitled to appoint the other 3 directors.

## **BASIS OF DETERMINATION OF CONSIDERATION UNDER THE SHARE TRANSFER AGREEMENT**

The total consideration of RMB141,865,000 under the Share Transfer Agreement was determined after arm's length negotiation between the Company and Dingzun by reference to (i) the corresponding portion in the net asset value of CIGNA & CMC Life Insurance as at 30 June 2007 (audited) and 31 December 2007 (unaudited); (ii) the transaction costs of the Company in the Transaction; and (iii) the satisfactory business results of CIGNA & CMC Life Insurance. Further, given that the Company has been conducting agency services relating to the sale of insurance products with CIGNA & CMC Life Insurance (please refer to the Company's announcement dated 23 January 2008) and that there has been an increasing demand for insurance products during the past few years, the Board is of the view that the business potential of CIGNA & CMC Life Insurance will continue to be promising. On this basis, the Board considers the basis of determination of the consideration to be fair and reasonable. Save for the aforesaid, there were no other prior transactions between the Company and Dingzun which may require aggregation under Rule 14A.25 of the Hong Kong Listing Rules.

The total consideration under the Share Transfer Agreement shall be payable by the Company in cash within 3 months after the Share Transfer Agreement becoming effective. The consideration will be funded by the Company's internal financial resources.

## **REASONS FOR ENTERING INTO THE TRANSACTION**

The participation in insurance business is in line with the Company's strategic development policy. Such measure will further improve the Company's income structure. The Company expects that the service fees and income to be derived from sale of insurance products will provide a steady non-interest income to the Company. The participation in insurance business realizes the Company's commitment of providing comprehensive services to customers, thereby increasing the Company's competitive edge. The Company believes that the participation in insurance business will enlarge the Company's customer base and operation scope that will better serve the customers' diversified needs. In addition, CIGNA & CMC Life Insurance is an insurance company operated in sizeable scale jointly with CIGNA Company. With the joint venture partner's enriched experience and expertise in the field, CIGNA & CMC Life Insurance has an advantageous position in banking insurance in its quality insurance services. Therefore, in line with the Company's strategic development policy for provision of a comprehensive banking service, the Transaction will enable the Company to broaden operation channels, enhance business structure, reinforce income base and further increase the competitiveness of the Company.

The Directors are of the view that the Share Transfer Agreement has been entered into on normal commercial terms in the ordinary and usual course of business of the Company and the terms of the Share Transfer Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole. The view of the Independent Directors of the Company on the Share Transfer Agreement will be included in the related circular to be dispatched to the shareholders of the Company.

## **IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

As certain applicable percentage ratios in respect of the Transaction is more than 5% but less than 25%, the Transaction, therefore, constitutes a discloseable and connected transaction of the Company for the purpose of the Hong Kong Listing Rules. The Transaction is subject to the disclosure requirements under Chapter 14 of the Hong Kong Listing Rules and the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules as well as the Independent Shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules.

### **THE AGM**

The Company proposes to seek the approval of the Independent Shareholders at the AGM relating to the Transaction.

According to the Hong Kong Listing Rules, CM Group will abstain from voting in respect of the resolution regarding the Transaction at the AGM. The voting at the AGM in relation to the resolution for approval by the Independent Shareholders of the Transaction will be taken by poll.

The Independent Board Committee will be established to advise the Independent Shareholders in relation to the Transaction. BOCOM International has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders.

A circular containing, among others, further details of the Transaction and the Share Transfer Agreement, the letter from the Independent Board Committee to the Independent Shareholders, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and the notice of AGM will be dispatched to the shareholders as soon as practicable.

### **GENERAL**

The Company is a leading retail bank in China, with a market capitalization of approximately RMB556.9 billion as at 30 April 2008. As at 31 December 2007, the Company had approximately RMB1,310.552 billion in total assets, RMB654.417 billion in total loans and RMB943.534 billion in total deposit from customers.

Dingzun is a company incorporated in the PRC with limited liability. Its principal business includes information advisory services, provision of services relating corporate image design, corporate operation planning (exclusive of restricted projects) and setting up of investment enterprises.

### **DEFINITIONS**

“AGM”	the annual general meeting of the Company proposed to be convened and held as soon as practicable for the Independent Shareholders to, among other things, consider and, if thought fit, approve the Transaction;
“associates”	has the meaning ascribed to it in the Hong Kong Listing Rules;
“Board”	the board of Directors of the Company;
“CBRC”	the China Banking Regulatory Commission;

“CIGNA & CMC Life Insurance”	means CIGNA & CMC Life Insurance Company Limited, 招商信諾人壽保險有限公司, a company incorporated in the PRC on 4 August 2003;
“CIRC”	the China Insurance Regulatory Commission;
“Closing”	the closing of the Transaction;
“CM Steam Navigation”	means 招商局輪船股份有限公司 (China Merchants Steam Navigation Co., Ltd.), a substantial shareholder and one of the promoters of the Company;
“CM Group”	means 招商局集團有限公司 (China Merchants Group Limited) and its subsidiaries and associates;
“Company”	means 招商銀行股份有限公司 (China Merchants Bank Co., Ltd.), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange;
“Dingzun”	means 深圳市鼎尊投資諮詢有限公司 (Shenzhen Municipal Dingzun Investment Advisory Company, Ltd.), a company incorporated in the PRC with limited liability on 21 October 1999;
“Directors”	the directors of the Company;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;
“Independent Board Committee”	an independent board committed of the Company comprising of all the Independent Directors;
“Independent Directors”	the independent non-executive Directors of the Company, who are invited to advise the Independent Shareholders in connection with the Transaction;
“Independent Financial Adviser” or “BOCOM International”	BOCOM International (Asia) Limited, the independent financial adviser appointed to make recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Transaction;
“Independent Shareholders”	shareholders of the Company other than CM Group, its subsidiaries and its associates;
“PRC” or “China”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share Transfer Agreement”	means the share transfer agreement dated 5 May 2008 entered into between Dingzun and the Company relating to the Transaction;
“Share(s)”	domestic shares and H shares;

“shareholder(s)”	registered holder(s) of Shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiaries”	has the meaning ascribed to it in the Hong Kong Listing Rules; and
“Transaction”	the transfer by Dingzun to the Company of its 50% equity interests in CIGNA & CMC Life Insurance.

By order of the Board  
**China Merchants Bank Co., Ltd.**  
**Qin Xiao**  
*Chairman*

5 May 2008

*As at the date of this announcement, the executive directors of the Company are Ma Weihua, Zhang Guanghua and Li Hao; the non-executive directors of the Company are Qin Xiao, Wei Jiafu, Fu Yunning, Li Yinquan, Hong Xiaoyuan, Ding An Hua Edward, Sun Yueying, Wang Daxiong and Fu Junyuan; and the independent non-executive directors of the Company are Wu Jiesi, Yan Lan, Yi Xiqun, Chow Kwong Fai Edward, Liu Yongzhang and Liu Hongxia.*