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(incorporated in Hong Kong with limited liability under the Companies Ordinance)

(Stock Code: 0440)



(incorporated in Hong Kong with limited liability under the Companies Ordinance)

The holding company of Dah Sing Bank, Limited and MEVAS Bank Limited

(Stock Code: 2356)

## DISCLOSEABLE TRANSACTION

### JOINT ANNOUNCEMENT AND RESUMPTION OF TRADING ACQUISITION OF 17% OF THE ISSUED SHARE CAPITAL OF CHONGQING COMMERCIAL BANK BY DAH SING BANK, LIMITED

DSFH and DSBG announce that on 21 December 2006, DSBG's wholly owned subsidiary, DSB, has entered into the Share Purchase Agreement with the Vendor in relation to the acquisition of 17% of the issued share capital of CQCB, a licensed commercial bank incorporated in the PRC, which is 28% owned by the Vendor. The consideration for the acquisition by DSB is approximately RMB694 million (approximately HK\$690 million).

Under the Share Purchase Agreement, the Vendor will also sell and transfer 7.99% of the issued share capital of CQCB to Carlyle for a consideration of approximately RMB326 million (approximately HK\$324 million). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, CQCB, the Vendor and Carlyle are each third parties independent of DSFH, DSBG and their connected persons (as defined in the Listing Rules), and are not connected persons of either DSFH or DSBG.

The Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules for each of DSFH and DSBG. Circulars containing further information on the Acquisition will be sent to shareholders as soon as practicable.

At the request of DSFH and DSBG, trading in their respective shares on the Stock Exchange were suspended with effect from 9:30 a.m. on 21 December 2006 pending the release of this announcement. Trading in the shares of DSFH and DSBG will resume with effect from 9:30 a.m. on 22 December 2006.

#### INTRODUCTION

DSFH and DSBG announce that on 21 December 2006, DSBG's wholly owned subsidiary, DSB, has entered into the Share Purchase Agreement with the Vendor in relation to the acquisition of 17% of the issued share capital of CQCB, a licensed commercial bank incorporated in the PRC, which is 28% owned by the Vendor. The consideration for the acquisition by DSB is approximately RMB694 million (approximately HK\$690 million).

Under the Share Purchase Agreement, the Vendor will also sell and transfer approximately 7.99% of the issued share capital of CQCB to Carlyle for a consideration of approximately RMB326 million (approximately HK\$324 million).

#### SHARE PURCHASE AGREEMENT

##### Date

21 December 2006

##### Parties

DSB, Carlyle and the Vendor

##### Acquisition

Under the Share Purchase Agreement, the Vendor will sell and transfer:

- (i) 343,505,163 issued shares, or 17% of the issued share capital of CQCB, to DSB; and
- (ii) 161,447,426 issued shares, 7.99% of the issued share capital of CQCB, to Carlyle.

On completion of the Acquisition, DSB and Carlyle will collectively hold 24.99% of the issued share capital of CQCB, and DSB will have the right to appoint one non-executive director (as the Vice Chairman of the board of CQCB) and the right to nominate one executive director and one independent non-executive director to the board of directors of CQCB. The shares of CQCB acquired by DSB will be subject to a lock-up for a period of three years from completion of the Acquisition. The Vendor will acquire from a number of existing shareholders of CQCB shares in CQCB, and will hold approximately 20% of the issued share capital of CQCB upon completion of the Acquisition.

## **Consideration**

The total consideration in respect of the Acquisition is approximately RMB1,020 million (approximately HK\$1,014 million), which will be fully satisfied by cash upon satisfaction of the conditions set out in the Share Purchase Agreement, payable in US dollars based on the prevailing US dollar/Renminbi dollar exchange rate as stipulated by the People's Bank of China two business days prior to the payment date, in the following manner:

- (i) RMB694 million from DSB in respect of approximately 17% of the issued share capital of CQCB; and
- (ii) RMB326 million from Carlyle in respect of approximately 7.99% of the issued share capital of CQCB.

The purchase price, determined with regard to the sale price of the shares of CQCB and based on negotiations and agreement with the Vendor, is RMB2.02 per share. The total consideration was determined pursuant to arm's length negotiations and represents approximately 1.73 times CQCB's net assets as at 31 December 2005 of approximately RMB1,879 million, or RMB1.17 per share (based on PRC GAAP), and approximately 32 times CQCB's net profit for the financial year ended 31 December 2005 of approximately RMB99 million, or RMB0.063 earnings per share (based on PRC GAAP). Pursuant to new shares issued by CQCB totalling RMB400 million during the first half of 2006 and an increase in retained profit in the six months ended 30 June 2006, the unaudited net assets of CQCB, as of 30 June 2006, increased to approximately RMB2,334 million, or RMB1.15 per share (based on PRC GAAP).

In respect of the consideration for the acquisition by DSB of approximately 17% of the issued share capital of CQCB, such consideration will be financed from DSB's internal resources.

## **Conditions**

Completion of the Acquisition is conditional upon a number of conditions, including confirmation from the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and regulatory approvals from the China Banking Regulatory Commission and the Hong Kong Monetary Authority, which may not be waived.

## **Completion**

DSB, Carlyle and the Vendor will use their best endeavours to ensure satisfaction of the above conditions as soon as possible, and in any event by 1 April 2007.

## **INFORMATION ON CQCB AND THE VENDOR**

CQCB is a licensed commercial bank incorporated in the PRC and situated in the city of Chongqing, PRC. CQCB was established in 1996 through a consolidation of a number of local credit unions in the city of Chongqing. It is the oldest city commercial bank in south-western China with a joint-stock structure and is the largest independent bank headquartered in the region.

CQCB is active in commercial banking activities in Chongqing, although it has recently started to grow its retail banking business. It has a network of 66 branches in the greater Chongqing area, mainly concentrated in the urban areas with approximately 701,000 retail customers, approximately 593,000 Yangtze River Card holders and 1,286 employees as at 31 December 2005. As at 30 June 2006, CQCB had total assets and net assets of approximately RMB31.9 billion and approximately RMB2.3 billion respectively.

CQCB is currently controlled by a group of shareholders, the majority of which are state or state related entities connected with the Government of Chongqing. The Vendor is currently the largest shareholder and is a state owned entity of the Government of Chongqing.

Chongqing is the biggest city in the western region of the PRC and is one of the four municipal cities administratively and directly controlled by the Beijing Central Government of the PRC. Chongqing has a population of approximately 30 million, not including the adjoining Sichuan province.

## **INFORMATION ON DSBG AND DSFH**

DSBG is the holding company of three banking subsidiaries, DSB, Banco Commercial de Macau, S.A. and MEVAS Bank Limited, a securities trading company, as well as an offshore joint venture banking business with SG Hambros Bank. In addition to its interest in DSBG, DSFH is also active in the life and general insurance businesses.

## **INFORMATION ON CARLYLE**

The Carlyle Group is a global private equity firm with US\$46.9 billion under management and offices in 16 countries. In the aggregate, Carlyle portfolio companies have more than US\$68 billion in revenue and employ more than 200,000 people around the world. The firm has rich experience and track record in investing in the financial services industry, including banking and insurance, in Asia and China.

## **REASONS FOR THE ACQUISITION**

The Acquisition is in line with the strategy of both DSFH and DSBG to grow its respective businesses both through organic means, and through mergers and acquisitions as appropriate. The Directors consider the investment in CQCB will be a significant strategic development for DSB and will enable DSB to play an increasing role in one of the fastest growing

banking markets in the world and combines DSB's expertise in financial markets, risk management, retail and SME business with CQCB's franchise and knowledge of Southwest China. It is intended that through various forms of cooperation with and provision of DSB's assistance and support to CQCB, it will achieve its objective of becoming one of the leading city commercial banks in Mainland China.

In connection with the Acquisition, DSB, together with Carlyle, have entered into a business cooperation agreement and a strategic cooperation agreement with CQCB whereby DSB, together with Carlyle, will participate in the development of CQCB's business strategy, risk management and corporate governance. Under these agreements, DSB has the exclusive right to negotiate credit card cooperation with CQCB and rights of first refusal to jointly develop its wealth management and private banking businesses. The Directors believe that such participation will provide benefits for CQCB in the development of its business and operations, and DSB in allowing it to gain greater and more direct experience and insight into bank operations and market development in the PRC.

The Directors believe that the terms of the transaction are fair and reasonable, and in the interests of the shareholders as a whole.

## **GENERAL**

The Acquisition constitutes a discloseable transaction under Chapter 14 of the Listing Rules for each of DSFH and DSBG. Circulars containing further information on the Acquisition will be sent to shareholders as soon as practicable.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the CQCB and its ultimate beneficial owners, the Vendor and Carlyle are each third parties independent of DSFH, DSBG and their connected persons (as defined in the Listing Rules), and are not connected persons of either DSFH or DSBG.

## **SUSPENSION AND RESUMPTION OF TRADING**

At the request of DSFH and DSBG, trading in their respective shares on the Stock Exchange were suspended with effect from 9:30 a.m. on 21 December 2006 pending the release of this announcement. Trading in the shares of DSFH and DSBG will resume with effect from 9:30 a.m. on 22 December 2006.

## **DEFINITIONS**

Unless the context otherwise requires, terms used in this announcement shall have the following meanings:

“Acquisition”	the acquisition by DSB and Carlyle of a total of 504,952,589 shares in the issued share capital of CQCB from the Vendor, whereby the Vendor will sell and transfer: (i) 343,505,163 issued shares, or approximately 17% of the issued share capital of CQCB, to DSB; and (ii) 161,447,426 issued shares, or approximately 7.99% of the issued share capital of CQCB, to Carlyle
“Carlyle”	Certain affiliates of The Carlyle Group, a leading global private equity firm with headquarters based in Washington D.C., USA
“Consideration”	the consideration for the Acquisition as described under the Share Purchase Agreement
“CQCB”	Chongqing Commercial Bank, a licensed commercial bank incorporated in the PRC and situated in the city of Chongqing, PRC
“Directors”	the directors of DSFH and DSBG
“DSB”	Dah Sing Bank, Limited, a wholly owned subsidiary of DSBG
“DSBG”	Dah Sing Banking Group Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Stock Exchange (Stock code: 2356)
“DSFH”	Dah Sing Financial Holdings Limited, a company incorporated in Hong Kong with limited liability and whose shares are listed on the Stock Exchange (Stock code: 0440)
“HK\$”	Hong Kong Dollars
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People's Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share Purchase Agreement”	the Share Purchase Agreement in relation to the Acquisition entered into by DSB, Carlyle and the Vendor on 21 December 2006
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“US dollar”	United States Dollars
“Vendor”	Chongqing Yufu Assets Management Co., Ltd., a 28% shareholder of CQCB and the asset management company of the Government of Chongqing
“Yangtze River Card”	Debit card issued by CQCB

*Unless otherwise specified in this announcement, translations of RMB into HK\$ as set out in this announcement are, for illustration purposes only, translated at the rate of RMB1.0058 to HK\$1.00. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at those rates or at any other rates.*

By Order of the Board  
**Dah Sing Financial Holdings Limited**  
**Hoi-Lun Soo (Helen Soo)**  
*Company Secretary*

By Order of the Board  
**Dah Sing Banking Group Limited**  
**Hoi-Lun Soo (Helen Soo)**  
*Company Secretary*

Hong Kong, 21 December 2006

*As at the date of this announcement, the Executive Directors of DSFH are Messrs. David Shou-Yeh Wong, Hon-Hing Wong (Derek Wong), Roderick S. Anderson, Gary Pak-Ling Wang and Nicholas J. Mayhew. The Independent Non-executive Directors are Messrs. Peter G. Birch, Robert Tsai-To Sze, Tai-Lun Sun (Dennis Sun), Kwok-Hung Yue (Justin Yue). The Non-executive Directors are Messrs. Chung-Kai Chow, Kunio Suzuki (Kenichi Yonetani as alternate), Tatsuo Tanaka (Toshiaki Arai as alternate), Kosuke Furukawa, John Wai-Wai Chow and Yiu-Ming Ng.*

*As at the date of this announcement, the Executive Directors of DSBG are Messrs. David Shou-Yeh Wong, Hon-Hing Wong (Derek Wong), Gary Pak-Ling Wang, Lung-Man Chiu (John Chiu), Harold Tsu-Hing Wong and Dennis Tat-Wang Yau. The independent non-executive directors are Messrs. John W. Simpson, David R. Hinde, Robert Tsai-To Sze and Andrew Kwan-Yuen Leung. The non-executive director is Mr. Kosuke Furukawa.*

Please also refer to the published version of this announcement in The Standard.