

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.



中國銀行股份有限公司
BANK OF CHINA LIMITED

(a joint stock company incorporated in the People's Republic of China with limited liability)
(the "Bank")

(Stock Code: 3988 and 4601 (Preference Shares))

ANNOUNCEMENT

Discloseable Transaction in Relation to the Disposal of Target Equity Interest

THE DISPOSAL OF TARGET EQUITY INTEREST

The Board resolved and approved the *Proposal on the Sale of Shares of Huaneng International Power Development Corporation* on 28 August 2015. For the content of the said resolution, please refer to the *Announcement on Resolutions of the Board of Directors* dated 28 August 2015 and published at the website of the Bank (www.boc.cn) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk).

The Vendors (each being an indirect wholly-owned subsidiary of the Bank) in accordance with the relevant requirements of *Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises*, published on 2 November 2015 the tender notice in relation to the disposal of the Target Equity Interest on the *China Securities Journal* (中國證券報) and the website of China Beijing Equity Exchange (北京產權交易所) (www.cbex.com.cn) to formally launch the disposal of the Target Equity Interest. As at the expiry of the initial tender period, the Vendors could not find intended transferee(s) which fulfil the requirements, so the Vendors published the tender notice in relation to the disposal of the Target Equity Interest again on the *China Securities Journal* (中國證券報) and the website of China Beijing Equity Exchange (北京產權交易所) (www.cbex.com.cn) on 30 November 2015.

The Board is pleased to announce that, with the completion of transaction process at China Beijing Equity Exchange (北京產權交易所), on 29 December 2015 (after trading hours on the Hong Kong Stock Exchange), the Vendors entered into the Sale and Purchase Agreement in relation to the Target Equity Interest with the Purchaser, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the Target Equity Interest at an aggregate consideration of RMB8,741,405,794.53 (equivalent to approximately HK\$10,577,101,011.38) in cash.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Bank under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under the Listing Rules.

SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that, with the completion of transaction process at China Beijing Equity Exchange (北京產權交易所), on 29 December 2015 (after trading hours on the Hong Kong Stock Exchange), the Vendors entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the Target Equity Interest at an aggregate consideration of RMB8,741,405,794.53 (equivalent to approximately HK\$10,577,101,011.38) in cash.

Date : 29 December 2015

Parties : Pro-Power Investment Limited, being the Purchaser

China Group and China Kingdom, each being an indirectly wholly-owned subsidiary of the Bank, being the Vendors

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are parties independent of and not connected with the Bank and the connected persons (as defined in the Listing Rules) of the Bank. As advised by the Purchaser, the Purchaser is principally engaged in the business of investment in power corporations.

(i) Assets to be disposed of

The Target Equity Interest to be disposed of represents the aggregate of 20% equity interest of Huaneng, among which 15% equity interest and 5% equity interest of Huaneng are owned by China Group and China Kingdom, respectively.

(ii) Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration of RMB8,741,405,794.53 (equivalent to approximately HK\$10,577,101,011.38) consists of the following:

1. RMB6,556,054,345.90 (equivalent to approximately HK\$7,932,825,758.54) for the 15% equity interest of Huaneng owned by China Group; and

2. RMB2,185,351,448.63 (equivalent to approximately HK\$2,644,275,252.84) for the 5% equity interest of Huaneng owned by China Kingdom.

Due to the relatively large amount of the Consideration, the Vendors, after the negotiation with the Purchaser, agreed with the Purchaser's payment schedule as below. The payment schedule is made pursuant to Article 24. (1) of the *Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises*, in which it is stipulated that when the respective transaction amount is relatively large, both parties may agree with the payments of the consideration by installments (provided that the payment shall be paid in full within 1 year):

1. RMB4,370,702,897.27 (equivalent to approximately HK\$5,288,550,505.70) (“**First Payment**”), being 50% of the Consideration, will be paid in cash to the account designated by the Vendors at or before 12:00 noon on 31 December 2015. This arrangement is made pursuant to Article 24. (2) of the *Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises*, in which it is stipulated that when the payment of consideration is agreed to be made by installments, the first installment shall not be less than 30% of the consideration of the transaction and shall be paid within 5 business days of the effective date of the Sale and Purchase Agreement. The First Payment will be split between the Vendors in the following manner:
 - (a) RMB3,278,027,172.95 (equivalent to approximately HK\$3,966,412,879.27) payable to China Group; and
 - (b) RMB1,092,675,724.32 (equivalent to approximately HK\$1,322,137,626.43) payable to China Kingdom.
2. RMB2,622,421,738.36 (equivalent to approximately HK\$3,173,130,303.42) (“**Second Payment**”), being 30% of the Consideration, will be paid in cash to the account designated by the Vendors within 6 months from the date of the payment of the First Payment. The Second Payment will be split among the Vendors in the following manner:
 - (a) RMB1,966,816,303.77 (equivalent to approximately HK\$2,379,847,727.56) payable to China Group; and
 - (b) RMB655,605,434.59 (equivalent to approximately HK\$793,282,575.85) payable to China Kingdom.

The Purchaser shall pay interest, at the interest rate of 4.35% per annum, in cash in respect of the Second Payment, which is RMB57,037,672.81 (equivalent to approximately HK\$69,015,584.10) (“**Second Payment Interest**”), to the Vendors to the account designated by the Vendors on the date of payment of the Second Payment. Such interest rate is determined according to Article 24. (2) of the *Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises*, in which it is stipulated that when the payment of consideration is agreed to be made by installments, after the payment of the first installment, legitimate procedure shall be gone through to secure the rest payment of consideration, and the interim interest shall be paid to the transferor at the same rate as the

benchmark lending rate of the financial institutions over the same period. (With regard to the Second Payment of this Disposal, the benchmark lending rate of the financial institutions over the same period is 4.35% per annum.) The Second Payment Interest will be split between the Vendors in the following manner:

- (aa) RMB42,778,254.61 (equivalent to approximately HK\$51,761,688.08) payable to China Group; and
 - (bb) RMB14,259,418.20 (equivalent to approximately HK\$17,253,896.02) payable to China Kingdom.
3. RMB1,748,281,158.90 (equivalent to approximately HK\$2,115,420,202.27) (“**Third Payment**”), being 20% of the Consideration, will be split between the Vendors in the following manner:
- (a) RMB1,311,210,869.18 (equivalent to approximately HK\$1,586,565,151.71) payable to China Group; and
 - (b) RMB437,070,289.72 (equivalent to approximately HK\$528,855,050.56) payable to China Kingdom.

The Purchaser shall further pay interest, at the interest rate of 4.35% per annum, in cash in respect of the Third Payment, which is RMB76,050,230.41 (equivalent to approximately HK\$92,020,778.80) (“**Third Payment Interest**”), to the Vendors on the date of payment of the Third Payment. Such interest rate is determined according to Article 24. (2) of the *Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises*, in which it is stipulated that when the payment of consideration is agreed to be made by installments, after the payment of the first installment, legitimate procedure shall be gone through to secure the rest payment of consideration, and the interim interest shall be paid to the transferor at the same rate as the benchmark lending rate of the financial institutions over the same period. (With regard to the Third Payment of this Disposal, the benchmark lending rate of the financial institutions over the same period is 4.35% per annum). The Third Payment Interest will be split between the Vendors in the following manner:

- (aa) RMB57,037,672.81 (equivalent to approximately HK\$69,015,584.10) payable to China Group; and
- (bb) RMB19,012,557.60 (equivalent to approximately HK\$23,005,194.70) payable to China Kingdom.

The Purchaser shall pay the Third Payment and the Third Payment Interest in cash within 1 year from the date of the First Payment in the following manner:

(aa) to the account designated by the Vendors, if:

- the registration procedures of the transfer of Target Equity Interest at Registration Authority has been completed within 11 months from the date of payment of the First Payment; and
- subject to the Vendors having provided the Purchaser with either:
 - (i) the receipt for the payment of tax in respect of the transfer of Target Equity Interest payable by the Vendors; or
 - (ii) application statement (申報書面說明) and the related documents submitted by the Vendors in respect of tax payable for the transfer of Target Equity Interest to the tax authority or the tax authorities' acknowledged receipt of the said application.

(bb) to an escrow account held by an escrow agent jointly appointed by the Vendors and the Purchaser, if the registration procedures of the transfer of Target Equity Interest at Registration Authority has not been completed within 11 months from the date of payment of the First Payment.

The Vendors shall have right to instruct the escrow agent to release the fund to the account designated by the Vendors, upon the completion of the registration procedures of the transfer of Target Equity Interest at Registration Authority finally and subject to the Vendors having provided the Purchaser with either:

- (i) the receipt for the payment of tax in respect of the transfer of Target Equity Interest payable by the Vendors; or
- (ii) application statement (申報書面說明) and the related documents submitted by the Vendors in respect of tax payable for the transfer of Target Equity Interest to the tax authority or the tax authorities' acknowledged receipt of the said application.

China Hua Neng Group Hong Kong Limited (中國華能集團香港有限公司) (the “**Guarantor**”), which is the sole shareholder of the Purchaser, will guarantee the payment of the Second Payment, the Second Payment Interest, the Third Payment and the Third Payment Interest pursuant to the Guarantee Agreement. The guarantee under the Guarantee Agreement will expire on date of one year from the due date of the Third Payment.

The Consideration was determined by the Vendors based on (i) the Asset Valuation Report (Zhong Tian Hua Zi Ping Bao Zi No.1252 of 2015) (中天華資評報字 2015 第 1252 號《資產評估報告》) issued by China Appraisal Associates on 3 August 2015 with 31 December, 2014 as the valuation benchmark date (by using the income approach, the respective valuation of the Target

Equity Interest was RMB8,974,493,700 (equivalent to approximately HK\$10,859,137,400)), (ii) Vendors could not find intended transferee(s) which fulfil the requirements on China Beijing Equity Exchange (北京產權交易所) at the initial tender and hence in light of the response of the market and condition decided to proceed with the second tender with the listing price adjusted downward and (iii) the reasons and benefit of the Disposal as described under the paragraph headed “REASONS FOR AND BENEFITS OF THE DISPOSAL” below.

The Directors are of the view that the Consideration is fair and reasonable and in the interests of the Bank and the shareholders as a whole.

(iii) Completion

Condition precedent to the Completion of the Disposal has been satisfied at the time of the signing of the Sale and Purchase Agreement. Completion will occur upon the registration procedures of the transfer of Target Equity Interest’s completion at the Registration Authority, which is expected to be completed by the end of March 2016.

(iv) Transitional Arrangement

The Purchaser agreed to make payment of 50% of the Consideration in cash as First Payment to the designated bank account of the Vendors on or before 12:00 noon 31 December 2015, and also agreed to pay the respective interest on the date of payment of the Second Payment and the Third Payment. The sole shareholder of the Purchaser, China Hua Neng Group Hong Kong Limited (中國華能集團香港有限公司), agreed to guarantee the payment of the Second Payment, the Second Payment Interest, the Third Payment and the Third Payment Interest pursuant to the Guarantee Agreement. Hence, the Vendors agreed that from the date of payment of the First Payment, the Purchaser will be entitled to have all the rights (including the respective dividend) and risks of the Target Equity Interest. If the parties have not implemented in accordance with the terms of the Sale and Purchase Agreement, the respective agreement will be terminated in accordance with the agreed terms, any party may claim against the other party for the liability of the breach pursuant to the Sale and Purchase Agreement.

INFORMATION OF THE BANK

The Bank, as China’s most internationalised and diversified bank, provides a comprehensive range of financial services to its customers in the Chinese mainland, Hong Kong, Macau and Taiwan as well as other countries and regions. It principally engages in the business of commercial banking, and carries out investment banking, insurance and other businesses through its subsidiaries.

INFORMATION OF THE VENDORS

The principal business activity of both China Group and China Kingdom is investment holding.

INFORMATION OF THE PURCHASER

As advised by the Purchaser, the Purchaser, a company incorporated in Hong Kong with limited liability, is principally engaged in the business of investment in power corporations. The Purchaser is a wholly-owned subsidiary of the Guarantor.

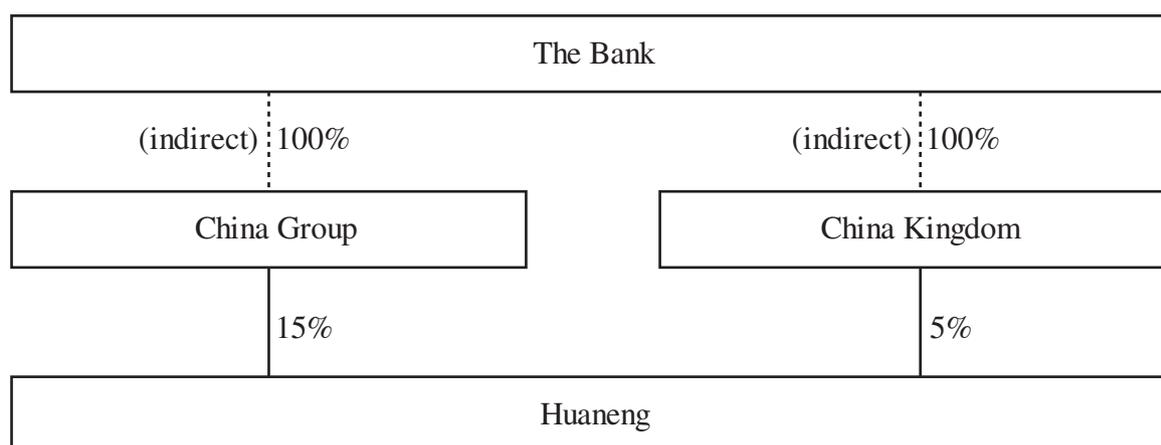
INFORMATION OF HUANENG AND THE GUARANTOR

The principal business of Huaneng engages investment, construction, operation of power corporations and the relevant engineering work etc. Huaneng holds 33.33% of Huaneng Power whose shares are listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange and the New York Stock Exchange. As at the date of this announcement, Huaneng is not a subsidiary of the Bank and will continue not to be a subsidiary of the Bank after Completion.

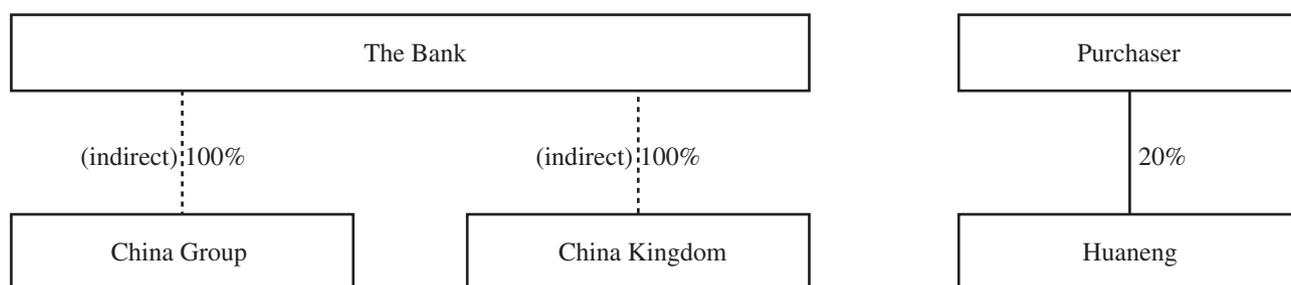
China Hua Neng Group Hong Kong Limited (中國華能集團香港有限公司) as the Guarantor, is the sole shareholder of the Purchaser. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Guarantor and its ultimate beneficial owner(s) are parties independent of and not connected with the Bank and the connected persons (as defined in the Listing Rules) of the Bank. As advised by the Purchaser, the Guarantor is principally engaged in the business of investment, financing and international trade.

The chart below illustrates the simplified Group structure (i) as at the date of this announcement and (ii) immediately after Completion of the Disposal (assuming no other changes after the date of this announcement):

As at the date of this announcement



Immediately after Completion (the following diagram shows the 20% equity interest of Huaneng acquired by the Purchaser from this Disposal only)



REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors consider although the Consideration is slightly lower than the assessed value of the Asset Valuation Report, the realization of Target Equity Interest by the Vendors will still achieve better return for the Group in the investment in Huaneng. The Vendors will use the proceeds to finance any new investment which can promote a sustainable growth of the Vendors in future and will indirectly benefit the Bank. Therefore the Disposal is in line with the long term benefit of the Group.

In view of the above and the Disposal is by open tender, the Directors consider that the terms of the Disposal are on normal commercial terms and are fair and reasonable and are in the interests of the Bank and the shareholders of the Bank as a whole.

FINANCIAL IMPACT AND USE OF PROCEEDS FROM THE DISPOSAL

The audited net profit before and after tax as well as net asset (all on a consolidation basis including minority interest) of the Target Equity Interest for the two financial years ended 31 December 2013 and 31 December 2014 and the unaudited net profit before and after tax as well as net asset (all on a consolidation basis including minority interest) of the Target Equity Interest for the nine months between 1 January 2015 and 30 September 2015 are as follows:

	For the Year Ended 31 December 2013 (‘000) (audited)	For the Year Ended 31 December 2014 (‘000) (audited)	For the nine months between 1 January 2015 and 30 September 2015 (‘000) (unaudited)
Net profit before tax	RMB3,717,453 (approximately HK\$4,498,118)	RMB4,043,102 (approximately HK\$4,892,154)	RMB4,331,317 (approximately HK\$5,240,893)
Net profit after tax	RMB2,777,845 (approximately HK\$3,361,193)	RMB2,877,317 (approximately HK\$3,481,554)	RMB3,317,124 (approximately HK\$4,013,720)
Net Asset	RMB16,398,560 (approximately HK\$19,842,257)	RMB18,889,903 (approximately HK\$22,856,783)	RMB20,636,636 (approximately HK\$24,970,330)

As a result of the Disposal, it is anticipated that upon Completion, the Vendors would realize a net gain, after tax payable, if any, of approximately RMB2,362,000,000 (approximately HK\$2,858,020,000). The final amount of net gain will be subject to the result of the audited financial statements.

The proceeds received from the Disposal will be used as general working capital of the Vendors. The actual gain or loss on the Disposal is subject to the audited book value of the Target Equity Interest as at the date of Completion.

LISTING RULES IMPLICATIONS

As one applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Bank under Chapter 14 of the Listing Rules and are therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meanings given to them as below:

<i>Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises</i>	<i>Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises</i> (Decree No. 54 of the Ministry of Finance) (《金融企業國有資產轉讓管理辦法》(財政部令第54號)) implemented by the Ministry of Finance of the PRC on 1 May 2009
“Bank”	Bank of China Limited (中國銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability, the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 3988 and 4601 (Preference Shares)) and the Shanghai Stock Exchange (Stock Code: 601988)
“Board”	the Board of Directors of the Bank
“China Group”	China Group Development Limited, a company incorporated in Hong Kong with limited liability, all the issued share capital of which is 100% beneficially and indirectly owned by the Bank
“China Kingdom”	China Kingdom International Investments Limited, a company incorporated in Hong Kong with limited liability, all the issued share capital of which is 100% beneficially and indirectly owned by the Bank

“Completion”	the completion of the Disposal pursuant to the terms and conditions of the Sale and Purchase Agreement
“Consideration”	the aggregate consideration payable by the Purchaser to the Vendors for the Target Equity Interest, being RMB8,741,405,794.53 (equivalent to approximately HK\$10,577,101,011.38)
“Director(s)”	the director(s) of the Bank
“Disposal”	the disposal of Target Equity Interest by the Vendors pursuant to the Sale and Purchase Agreement
“Group”	the Bank and its subsidiaries
“Guarantee Agreement”	the guarantee agreement dated 29 December 2015 entered into between the Vendors, the Purchaser and the Guarantor in relation to the guarantee provided by the Guarantor to the Vendors
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huaneng”	華能國際電力開發公司 (Huaneng International Power Development Corporation), a company incorporated in the PRC
“Huaneng Power”	華能國際電力股份有限公司 (Huaneng Power International Inc.), a company incorporated in the PRC, whose shares are listed on the Hong Kong Stock Exchange, Shanghai Stock Exchange Limited and the New York Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	Pro-Power Investment Limited (尚華投資有限公司), a company incorporated in Hong Kong with limited liability
“Registration Authority”	State Administration for Industry & Commerce of the People’s Republic of China (中華人民共和國國家工商管理總局) or other authorized authority

“Sale and Purchase Agreement”	the property transaction contract dated 29 December 2015 entered into between the Vendors and the Purchaser in relation to the Disposal
“Target Equity Interest”	being, in aggregate the 20% equity interest of Huaneng
“Vendors”	collectively referred to China Group and China Kingdom, each being an indirect wholly owned subsidiary of the Bank
“%”	per cent
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB1 = HK\$1.21. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

By Order of the Board
Bank of China Limited
GENG Wei

Secretary to the Board of Directors and Company Secretary

Beijing, PRC
29 December 2015

As at the date of this announcement, the directors of the Bank are: Tian Guoli, Chen Siqing, Zhang Xiangdong, Zhang Qi*, Wang Yong*, Wang Wei*, Liu Xianghui*, Li Jucui*, Chow Man Yiu, Paul#, Jackson Tai#, Nout Wellink#, Lu Zhengfei# and Leung Cheuk Yan#.*

* *Non-executive Directors*

Independent Non-executive Directors