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**FUBON BANK (HONG KONG) LIMITED**

**富邦銀行（香港）有限公司**

*(incorporated in Hong Kong under the Companies Ordinance)*

**(Stock Code: 636)**

## **CONNECTED TRANSACTION**

### **Share Subscription Agreement with FB Gemini Capital**

On 29 January 2007, the Company and FB Gemini Capital entered into the Share Subscription Agreement pursuant to which and subject to the fulfilment of certain conditions precedent referred to below, FB Gemini Capital agreed to allot and issue and the Company agreed to subscribe for New Shares in FB Gemini Capital for a consideration of HK\$5,000,000. The New Shares represent 50 per cent. of the enlarged issued share capital of FB Gemini Capital.

The Share Subscription Agreement (including the granting of the Call Option and the Put Option) constitutes a connected transaction for the purpose of Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements of Chapter 14A of the Listing Rules.

#### **1. BACKGROUND**

On 29 January 2007, the Company and FB Gemini Capital entered into the Share Subscription Agreement pursuant to which FB Gemini Capital agreed to allot and issue and the Company agreed to subscribe for New Shares in FB Gemini Capital for a consideration of HK\$5,000,000. The New Shares represent 50 per cent. of the enlarged issued share capital of FB Gemini Capital.

Prior to the completion of the Share Subscription Agreement, FB Gemini Capital was a wholly owned subsidiary of FB Gemini. Fubon indirectly holds approximately 77.8 per cent. of the issued shares of FB Gemini. Fubon, holding 75 per cent. of the issued shares of the Company, is a substantial shareholder and a controlling shareholder of the Company. Therefore, FB Gemini Capital is a connected person of the Company under the Listing Rules and, accordingly, the entering into and performance of the Share Subscription Agreement (including the granting of the Call Option and the Put Option) constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

## **2. PARTICULARS OF THE SHARE SUBSCRIPTION AGREEMENT**

On 29 January 2007, the Company and FB Gemini Capital entered into the Share Subscription Agreement pursuant to which the FB Gemini Capital agreed to allot and issue and the Company agreed to subscribe for the New Shares in consideration of which the Company will pay HK\$5,000,000 to FB Gemini Capital on the Completion Date out of the Company's working capital.

After the subscription of New Shares pursuant to the Share Subscription Agreement, the Company will own 50 per cent. of the issued shares of FB Gemini Capital. The consideration has been arrived at after arm's length negotiation between the Company and FB Gemini Capital and reflects the nominal value of 5,000,000 HK\$1.00 ordinary shares of FB Gemini Capital. Pursuant to the audited accounts of FB Gemini Capital for the year ended 31 December 2005, the audited net assets of FB Gemini Capital were US\$721,647. In addition, based on the audited accounts of FB Gemini Capital, the audited net profit before and after taxation and extraordinary items of FB Gemini Capital amounted to US\$648 and US\$648 respectively for the financial year ended 31 December 2004 and US\$892 and US\$892 respectively for the financial year ended 31 December 2005. FB Gemini Capital maintained positive retained earnings and net profits for 2004 and 2005, which indicate a financially sound business operation, and the New Shares will be issued to the Company at par. The Directors believe the investment in FB Gemini Capital will earn a positive return and therefore believe the consideration for the New Shares is fair and reasonable.

The Share Subscription Agreement is conditional upon (inter alia) FB Gemini Capital obtaining all necessary approvals from the SFC and FB Gemini Capital and the Company obtaining all necessary corporate authorisations to effect the increase in the authorised and issued share capital of FB Gemini Capital and the subscription for the New Shares. If any of the conditions is not fulfilled (or waived) by 16 February 2007 (or such later date as agreed by the Company and FB Gemini Capital), the Share Subscription Agreement shall be null and void and of no effect.

Under the Share Subscription Agreement: 1) the Company has the absolute right, at its option, to require FB Gemini Capital to procure the purchase (whether or not by FB Gemini Capital or a third party) of all but not part of the New Shares (“**Put Option**”); and 2) FB Gemini Capital has the absolute right, at its option, to require the Company to sell to FB Gemini Capital or a third party nominated by it all but not part of the New Shares (“**Call Option**”). No premium is payable for either the Put Option or the Call Option. The exercise of the Put Option or the Call Option is subject to all necessary approvals (including those of the SFC and the Stock Exchange) having been obtained, as determined by FB Gemini Capital. The Put Option is exercisable within a period of 115 days after the expiration of a period of 250 days following the Completion Date (“**Put Option Period**”) and the Call Option is exercisable within the period commencing on the Completion Date and ending on 21 June 2007 (“**Call Option Period**”). Each of the Put Option Period and the Call Option Period may be extended by mutual agreement between the Company and FB Gemini Capital. The repurchase price for the New Shares will be the consideration paid by the Company for the New Shares under the Share Subscription Agreement plus an additional amount that represents a gross yield of 5.12 per cent. per annum (uncompounded), calculated on the basis of actual number of days elapsed from the Completion Date to the date of the payment of the repurchase price.

Under the Share Subscription Agreement, the Company has undertaken to FB Gemini Capital that other than pursuant to the Put Option or the Call Option, the Company will not sell, transfer or otherwise dispose of any interest in the New Shares at any time prior to the expiration of the Call Option Period, without the prior consent of FB Gemini Capital. The Company will comply with the requirements of Rules 14A.67 to 14A.71 at the time of the exercise of the Put Option and the Call Option.

The Put Option provides an exit opportunity for the Company in the event that the future business objectives or the business outlook of FB Gemini Capital is not in the best interests of the shareholders of the Company. In view of the granting of the Put Option, the Call Option has been agreed between the Company and FB Gemini Capital after arm’s length negotiation. The Call Option provides FB Gemini Capital with an opportunity to terminate the arrangement in the event that its future business objectives with the Company as its 50 per cent. shareholder are not in the best interests of the shareholders of FB Gemini Capital.

Currently, the Company has no intention to nominate any directors to the board of directors of FB Gemini Capital but reserves the right to do so in the future.

The Directors consider the investment to be immaterial to the Company and the investment will not be equity accounted for in the Company’s consolidated financial statements. The Company intends to state the investment at cost less impairment losses (if any) in the Company’s balance sheet, and the results of FB Gemini Capital will be included in the Company’s income statement to the extent of dividends received and receivable.

### **3. REASONS FOR ENTERING INTO, AND THE BENEFITS OF, THE SHARE SUBSCRIPTION AGREEMENT**

Currently the Company is not active in corporate finance advisory business. FB Gemini Capital is a licensed corporation under the SFO and is entitled to conduct a number of regulated activities, including advising on corporate finance (Type 6 regulated activity) and dealing in securities (Type 1 regulated activity). On the basis that either the Put Option or the Call Option will be exercised, the Directors view the proposed transaction as an attractive financing opportunity. In the event that FB Gemini Capital does not exercise the Call Option and the Company decides not to exercise the Put Option, the Directors consider that there are potential synergies between the two entities from utilising each others' strengths with respect to their own client base: the Company with its existing strength in corporate banking and securities broking and FB Gemini Capital with its strength in corporate finance advisory.

The Directors of the Company (including the independent non-executive Directors) are of the view that the terms of the Share Subscription Agreement are fair and reasonable and in the interests of the Company and the shareholders as a whole.

### **4. REQUIREMENTS OF THE LISTING RULES**

In accordance with Rule 14A.32(1) of the Listing Rules, based on the calculations of the percentage ratios (other than the profits ratio), the connected transaction will only be subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and will be exempt from the independent shareholders' approval requirements.

### **5. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY AND FB GEMINI CAPITAL**

#### **5.1 The Company**

The Company is authorised by the Hong Kong Monetary Authority pursuant to section 16 of the Banking Ordinance to carry on banking business in Hong Kong. The Company is principally engaged in banking, securities broking and other financial related services to corporate and individual customers in Hong Kong including credit card services, personal loans, investment banking, corporate banking and treasury services. Fubon currently holds 75 per cent. of the issued shares of the Company and is, therefore, a substantial shareholder of the Company.

#### **5.2 FB Gemini Capital**

FB Gemini Capital is a licensed corporation under the SFO entitled to conduct Types 1, 4 and 6 regulated activities. FB Gemini Capital is principally engaged in advising in corporate finance and securities

underwriting. Prior to the Share Subscription Agreement, FB Gemini Capital was a wholly owned subsidiary of FB Gemini. Fubon indirectly holds approximately 77.8 per cent. of the issued shares of FB Gemini.

## **DEFINITIONS**

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

- “Business Day” a day on which commercial banks are open for business in Hong Kong (excluding Saturdays, Sundays, public holidays and any week day on which Typhoon Signal No. 8 or higher is hoisted or a black rainstorm warning is given in Hong Kong at any time between 9:00 am and 5:00 pm)
- “Call Option” the right of FB Gemini Capital to require the Company to sell to FB Gemini Capital or a third party nominated by it all but not part of the New Shares as more particularly set out in the paragraph headed “Particulars of the Share Subscription Agreement” above
- “Company” Fubon Bank (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange. Fubon holds 75 per cent. of the issued shares of the Company
- “Completion Date” a date within three Business Days after fulfilment of the last in time of the conditions referred to in the Share Subscription Agreement (or such other day as shall be mutually agreed between the parties)
- “Directors” the directors of the Company
- “FB Gemini” FB Gemini Limited, a company incorporated in the Cayman Islands. Fubon indirectly holds approximately 77.8 per cent. of the issued shares of FB Gemini as at the date of this announcement
- “FB Gemini Capital” FB Gemini Capital Limited, a company incorporated in Hong Kong. FB Gemini Capital is a wholly owned subsidiary of FB Gemini as at the date of this announcement
- “Fubon” Fubon Financial Holding Co., Ltd., a company incorporated in the Republic of China
- “HK\$” Hong Kong Dollars
- “Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“New Shares”	5,000,000 ordinary shares of HK\$1.00 each in FB Gemini Capital
“Put Option”	the right of the Company to require FB Gemini Capital to procure the purchase (whether or not by FB Gemini Capital or a third party) of all but not part of the New Shares as more particularly set out in the paragraph headed “Particulars of the Share Subscription Agreement” above
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share Subscription Agreement”	the Share Subscription Agreement between the Company and FB Gemini Capital dated 29 January 2007.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By order of the Board of  
**Fubon Bank (Hong Kong) Limited**  
**Ivan Young**  
*Company Secretary*

Hong Kong, 29 January 2007

*As of the date of this announcement, the Company’s Directors are Jin-Yi Lee (Managing Director and Chief Executive Officer), Michael Chang Ming Yuen, James Yip as Executive Directors; Ming-Hsing (Richard) Tsai (Chairman), Ming-Chung (Daniel) Tsai (Vice Chairman), Victor Kung, Jesse Ding as Non-Executive Directors; and Robert James Kenrick, Moses Tsang, Hung Shih as Independent Non-Executive Directors.*

Please also refer to the published version of this announcement in South China Morning Post.