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(Attn : Mr Rolfe Hayden)

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BY FAX

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Dear Mr Hayden,

CITIC Ka Wah Bank Limited (Merger) Bill

I refer to the discussion of the above draft Bill at the meeting of the LegCo Panel on Financial Affairs this morning. I shall be grateful if you would clarify the following :

1. At the Panel meeting, a Member has expressed concern that CITIC Ka Wah Bank Limited (CKWB) is a listed company. Please confirm the steps that CKWB would take to protect its shareholders with regard to any contract or document governed otherwise than by the laws of Hong Kong containing a provision which prohibits or has the effect of prohibiting the transfer and vesting of the undertaking of CKWB, or a provision to the effect that a default shall occur or deemed to occur as a result of such transfer and vesting. How soon would such due diligence be completed?
2. Since CKWB is a listed company and The Hongkong Chinese Bank, Limited (HKCB) is not, would the degree of protection to depositors be reduced after the merger?
3. According to paragraph 8 of the Information Note dated 28 March 2002 (LC Paper CB(1) 1401/01-02(01)), it is intended that only the banking business of CKWB will form part of the undertaking to be vested in HKCB. What are the property and liabilities intended to be excluded by way of resolution(s) of the board of directors of CKWB pursuant to paragraph (d) of the definition of "excluded property and liabilities" in clause 2(1) of the Bill?
4. Is it intended to define "property" in section 2(1) of the Bill without excluding "the excluded property and liabilities"? If so, please confirm that references to "property" in the Bill have been appropriately restricted to those property vested in HKCB by virtue of the Bill?

5. When is the intended appointed day?

6. Clause 9 of the Bill provides for taxation and revenue matters. Please clarify whether there is any loss sustained by CKWB with regard to the undertaking to be vested in HKCB which is capable of but has not been carried forward and set off against assessable profits.

7. Clause 11 of the Bill relates to pensions, provident funds and gratuity benefits. Please let us know the estimated number of officers or employees of CKWB who would become officers or employees of HKCB by virtue of the Bill. Since some officers or employees would remain with CKWB, is there any need to qualify Clause 10 of the Bill so that section 7(a) would not apply to all contracts for employment by CKWB?

8. Clause 14 of the Bill provides that documents previously in the custody or control of CKWB shall by virtue of the Bill be deemed to be documents previously in the custody or control of HKCB. Please consider whether the provision should apply only to documents relating to the banking business of CKWB.

9. Please explain the need for Clause 16(3). Should the words "not vested in Hongkong Chinese Bank by virtue of this Ordinance" be redrafted to avoid the possible construction that the provision covers interest in land vested in HKCB by other means. If the policy is to rely on Clause 16(3) of the Bill for the new name of CKWB to be entered on the land register, would a provision similar to Clause 16(5) be necessary? If CKWB relies on registration of the certificate of incorporation on change of name to be issued by the Registrar of Companies, would Clause 16(3) be superfluous?

Yours sincerely,

(Bernice Wong)

Assistant Legal Adviser

c.c. LA

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The Dr. Hon. David LI Kwok-po, GBS, JP

Hon James TO