

OCBC offers RM16 billion for Hong Kong's Wing Hang Bank
Malaysian Insider
1 Apr, 2014

Singapore's Oversea-Chinese Banking Corp. (OCBC) said Tuesday it has offered to buy Hong Kong's Wing Hang Bank for US\$4.95 billion (RM16 billion) as it seeks to boost its presence in the giant Chinese market.

OCBC said in a statement the acquisition would provide it with a platform to grow its yuan-denominated businesses, and broaden its access to US and Hong Kong dollar funds.

Hong Kong is the world's biggest offshore market for the yuan, which is gaining international significance in tandem with China's growing economic might.

OCBC said its "pre-conditional voluntary general offer" for Wing Hang was made through OCBC's wholly owned subsidiary OCBC Pearl Limited.

It offered to buy each Wing Hang share at HK\$125 (RM52.52), or a total of HK\$38.43 billion (US\$4.95 billion) "in cash", saying it has "sufficient financial resources" to finance the deal.

The offer price gives a 1.6% premium to Wing Hang shares as of their last closing price of HK\$123 (RM51.71), and about 67.3% over the 90-day average price, OCBC said in a statement to the Singapore stock exchange.

OCBC said the acquisition would strengthen its "strategic goal of deepening its presence in its four core markets – Singapore, Malaysia, Indonesia and the greater China region" comprising the mainland, Hong Kong, Macau and Taiwan.

The offer, however, is "subject to certain pre-conditions being satisfied, including the obtaining of regulatory approvals", it said.

OCBC said it has received "irrevocable undertakings" to accept its offer from key shareholders, including the Fung family and BNY International Financing Corp. who hold an aggregate 44.79% of Wing Hang shares.

Other shareholders holding a total 3.37% of Wing Hang have also agreed to accept the offer.

OCBC's wholly owned subsidiary OCBC Bank (China) Ltd has 16 branches and sub-branches on the mainland.

OCBC also has a branch in Hong Kong and another in Taiwan, while its private banking subsidiary, Bank of Singapore, has a branch in Hong Kong.

Wing Hang has a network of 70 branches in Hong Kong, Macau and China.

"I think that what OCBC has offered is a hefty sum, but it is still slightly below the general estimate consensus of what would have been paid for a Hong Kong bank," said Kenny Kan, market analyst at CMC Markets in Singapore.

"Without this acquisition, it would have taken a longer period of time for OCBC to reach out to a larger base in the greater China area," he told AFP.

Kan said Hong Kong is attractive because it is the world's largest offshore market for the yuan.

Wing Hang chairman Patrick Fung said in a statement, OCBC's offer price "represents an attractive opportunity" for the Hong Kong bank's shareholders.

He said he was "confident that OCBC is the best partner to further grow the Wing Hang business in Hong Kong and the greater China region in the future".

OCBC chief executive Samuel Tsien said in a statement that acquiring Wing Hang "is a strategic component of our greater China strategy".

Tsien later told reporters that OCBC plans to delist Wing Hang from the Hong Kong stock market as it wants to keep 100% ownership.

Remaining listed requires that at least 25% must be owned by the public, he said.

"If it is not 100% owned by us, there would be leakage of the earnings that we contribute to the entity, which becomes unfair from our perspective because when we transfer knowledge we don't hold back," said Tsien.

He also said OCBC is "confident" that the deal would go through.

OCBC shares were trading at Sg\$9.56 (RM24.76) mid-afternoon Tuesday, up 0.53% after a trading halt imposed on Friday was lifted. The Straits Times Index was up 0.4% mid-afternoon. Wing Hang Bank was down 0.08% at HK\$122.90 (RM51.66). – AFP, April 1, 2014.

Hakcipta © 2014 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/business/article/ocbc-offers-rm16-billion-for-hong-kongs-wing-hang-bank>