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## CONNECTED TRANSACTIONS

The Board is pleased to announce that on the date of this announcement, BOCHK has entered into the Acquisition Agreements with Bank of China in relation to the acquisition of (i) the Indonesia Business and (ii) the Cambodia Business respectively, as part of the restructuring exercise of the Group in the ASEAN region.

As Bank of China is the controlling shareholder and a connected person of the Company, the Proposed Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios in respect of the Proposed Acquisitions are more than 0.1% but less than 5%, the Proposed Acquisitions are subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

**As the completion of each Proposed Acquisition is subject to the satisfaction (or, if applicable, waiver) of the conditions precedent stated in the respective Acquisition Agreement, the Proposed Acquisitions may or may not proceed to completion. Accordingly, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

## INTRODUCTION

Reference is made to the joint announcement made by Bank of China and the Company on 21 May 2015 and the announcement by the Company on 6 June 2016 with respect to the potential restructuring of the Group in the ASEAN region, and the announcements by the Company on 30 June 2016, 17 October 2016 and 6 January 2017 with respect to the acquisition of subsidiaries by the Company from Bank of China in Malaysia and Thailand.

The Board is pleased to announce that on the date of this announcement, BOCHK has entered into the Acquisition Agreements with Bank of China in relation to the acquisition of (i) the Indonesia Business and (ii) the Cambodia Business, respectively, as part of the restructuring exercise of the Group in the ASEAN region.

Goldman Sachs (Asia) L.L.C. acted as financial adviser to BOCHK in relation to the Proposed Acquisitions.

## **PRINCIPAL TERMS OF THE INDONESIA ASSET PURCHASE AGREEMENT**

**Date:** 28 February 2017

### **Parties:**

Seller: Bank of China

Buyer: BOCHK

### **Assets agreed to be acquired:**

The Indonesia Business

### **Consideration**

The consideration for the proposed acquisition of the Indonesia Business is IDR2,989.6 billion (equivalent to approximately RMB1.439 billion, calculated using the agreed exchange rate in respect of the Indonesia Asset Purchase Agreement), which will be paid in cash at completion in Hong Kong Dollars, using the then applicable HKD-CNH exchange rate mutually agreed by the parties on an arm's length basis. The consideration is subject to adjustments as set out in the paragraph below headed "Completion Adjustments".

### **Conditions precedent**

Completion of the proposed acquisition of the Indonesia Business is conditional upon the satisfaction or waiver (as appropriate) of certain conditions precedent set out in the Indonesia Asset Purchase Agreement:

- (a) Bank of China and BOCHK each having obtained all the requisite regulatory approvals by the Long Stop Date; and
- (b) no circumstances having arisen prior to the Completion Date which would have a material adverse effect on the economic environment (including but not limited to change of exchange rate and tax rate), financial condition, business prospects, regulatory status or any regulatory approval of or exemptions applicable to, Bank of China, BOCHK or BOC Jakarta Branch.

### **Completion**

Subject to the satisfaction or waiver (as appropriate) of the conditions precedent in the Indonesia Asset Purchase Agreement, completion will take place on the Completion Date pursuant to the Indonesia Asset Purchase Agreement. Upon completion, BOC Jakarta Branch will become a branch owned by BOCHK, and all the assets and liabilities arising in connection with the Indonesia Business will be transferred to and assumed by BOCHK.

As BOC Jakarta Branch will remain in the Group post-completion, Bank of China has given an undertaking in the Indonesia Asset Purchase Agreement to continue to provide support

and services including but not limited to information technology support to BOC Jakarta Branch.

## **COMPLETION ADJUSTMENTS**

In the event that pursuant to mutual agreement of BOCHK and Bank of China or as a result of a change in applicable laws relating to capital requirements, such that Bank of China is required to make further head office investment injection into BOC Jakarta Branch after the date of the Indonesia Asset Purchase Agreement, BOCHK will pay to Bank of China the amount of the further injected capital (together with the applicable financing cost) on the Completion Date. The aforesaid amounts, if applicable, will be paid in Hong Kong Dollars, using the then applicable HKD-CNH exchange rate as mutually agreed by the parties on an arm's length basis.

In addition, subject to completion having taken place, in the event that a net profit (or loss) is recorded in respect of BOC Jakarta Branch during the Relevant Period, as set out in the completion account, BOCHK or Bank of China, as the case may be, will pay to the other party the amount of the net profit (or loss), as the case may be. The aforesaid amounts, if applicable, will be paid in Hong Kong Dollars, using the then applicable HKD-CNH exchange rate as mutually agreed by the parties on an arm's length basis.

## **PRINCIPAL TERMS OF THE CAMBODIA ASSET PURCHASE AGREEMENT**

**Date:** 28 February 2017

### **Parties:**

Seller: Bank of China

Buyer: BOCHK

### **Assets agreed to be acquired:**

The Cambodia Business

### **Consideration**

The consideration for the proposed acquisition of the Cambodia Business is USD171 million (equivalent to approximately RMB1,079 million, calculated using the agreed exchange rate in respect of the Cambodia Asset Purchase Agreement), which will be paid in cash at completion in Hong Kong Dollars, using the then applicable HKD-CNH exchange rate mutually agreed by the parties on an arm's length basis. The consideration is subject to adjustments as set out in the paragraph below headed "Completion Adjustments".

### **Conditions precedent**

Completion of the proposed acquisition of the Cambodia Business is conditional upon the satisfaction or waiver (as appropriate) of certain conditions precedent set out in the Cambodia Asset Purchase Agreement:

- (a) Bank of China and BOCHK each having obtained all the requisite regulatory approvals by the Long Stop Date; and

- (b) no circumstances having arisen prior to the Completion Date which would have a material adverse effect on the economic environment (including but not limited to change of exchange rate and tax rate), financial condition, business prospects, regulatory status or any regulatory approval of or exemptions applicable to, Bank of China, BOCHK or BOC Phnom Penh Branch.

## **Completion**

Subject to the satisfaction or waiver (as appropriate) of the conditions precedent in the Cambodia Asset Purchase Agreement, completion will take place on the Completion Date pursuant to the Cambodia Asset Purchase Agreement. Upon completion, BOC Phnom Penh Branch will become a branch owned by BOCHK, and all the assets and liabilities arising in connection with the Cambodia Business will be transferred to and assumed by BOCHK.

As BOC Phnom Penh Branch will remain in the Group post-completion, Bank of China has given an undertaking in the Cambodia Asset Purchase Agreement to continue to provide support and services including but not limited to information technology support to BOC Phnom Penh Branch.

## **COMPLETION ADJUSTMENTS**

In the event that pursuant to mutual agreement of BOCHK and Bank of China or as a result of a change in applicable laws relating to capital requirements, such that Bank of China is required to make further capital injection into BOC Phnom Penh Branch after the date of the Cambodia Asset Purchase Agreement, BOCHK will pay to Bank of China the amount of the further injected capital (together with the applicable financing cost) on the Completion Date. The aforesaid amounts, if applicable, will be paid in Hong Kong Dollars, using the then applicable HKD-CNH exchange rate as mutually agreed by the parties on an arm's length basis.

In addition, subject to completion having taken place, in the event that a net profit (or loss) is recorded in respect of BOC Phnom Penh Branch during the Relevant Period, as set out in the completion account, BOCHK or Bank of China, as the case may be, will pay to the other party the amount of the net profit (or loss), as the case may be. The aforesaid amounts, if applicable, will be paid in Hong Kong Dollars, using the then applicable HKD-CNH exchange rate as mutually agreed by the parties on an arm's length basis.

## **INFORMATION ON BOC JAKARTA BRANCH**

### **Overview**

BOC Jakarta Branch was established in Indonesia in 1938 as an overseas branch of Bank of China. BOC Jakarta Branch holds a licence in Indonesia to operate as a branch with full banking authority (i.e. as a commercial bank) offering a wide range of commercial banking products and services, including deposit-taking, lending, foreign exchange, factoring, trade financing, Renminbi trade settlement and clearing products and services. BOC Jakarta Branch is operating through a network of a main branch and eight sub-branches.

### **Financial Information**

The net asset value of the Indonesia Business as at 31 December 2016 was IDR1,706,000 million (equivalent to approximately HK\$982 million).

The net profit before and after tax of BOC Jakarta Branch for the two financial years ended 31 December 2015 (audited) and 31 December 2016 (unaudited) are as follows:

	<b>For the Year Ended 31 December 2015</b>	<b>For the Year Ended 31 December 2016</b>
Net profit before tax for the year	IDR279,000 million (equivalent to approximately HK\$157 million)	IDR725,000 million (equivalent to approximately HK\$417 million)
Net profit after tax for the year	IDR185,000 million (equivalent to approximately HK\$104 million)	IDR519,000 million (equivalent to approximately HK\$299 million)

*For illustration purpose only, translations of IDR into Hong Kong dollars have been calculated by using an exchange rate of HK\$1.00 = IDR1,778.70 for the year ended 31 December 2015 and HK\$1.00 = IDR1,737.34 for the year ended 31 December 2016.*

## **INFORMATION ON BOC PHNOM PENH BRANCH**

### **Overview**

BOC Phnom Penh Branch was established in Cambodia in 2010 and is an overseas branch of Bank of China. BOC Phnom Penh Branch holds a universal banking business licence in Cambodia and offers a wide range of commercial banking products and services, including deposits, lending, international settlement, trade financing, interbank services, global cash management, funds, investment banking and agency businesses. BOC Phnom Penh Branch is operating through a network of a main branch and two sub-branches.

### **Financial Information**

The net asset value of the Cambodia Business as at 31 December 2016 was USD115.7 million (equivalent to approximately HK\$897.8 million).

The net profit before and after tax of BOC Phnom Penh Branch for the two financial years ended 31 December 2015 (audited) and 31 December 2016 (unaudited) are as follows:

	<b>For the Year Ended 31 December 2015</b>	<b>For the Year Ended 31 December 2016</b>
Net profit before tax for the year	USD13.1 million (equivalent to approximately HK\$101.5 million)	USD18.1 million (equivalent to approximately HK\$140.5 million)
Net profit after tax for the year	USD10.2 million (equivalent to approximately HK\$79.1 million)	USD13.8 million (equivalent to approximately HK\$107.1 million)

*For illustration purpose only, translations of USD into Hong Kong dollars have been calculated by using an exchange rate of USD1.00 = HK\$7.75 for the year ended 31 December 2015 and USD1.00 = HK\$7.76 for the year ended 31 December 2016.*

## **INFORMATION ON THE PARTIES**

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of banking and financial services in Hong Kong.

BOCHK is a locally incorporated licensed bank and is one of the three note issuing banks in Hong Kong and also the clearing bank for RMB business in Hong Kong.

Bank of China and its subsidiaries, as China's most internationalised and diversified bank, provide a comprehensive range of corporate banking, personal banking, financial market services, investment banking, insurance and other services to its customers in China as well as other countries and regions.

## **REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITIONS**

The terms of each of the Acquisition Agreements were negotiated on an arm's length basis between Bank of China and BOCHK. The Directors (including the independent non-executive Directors) have confirmed that they are satisfied that the terms of the Acquisition Agreements are fair and reasonable, on normal commercial terms and are in the interests of the Company and the shareholders of the Company as a whole. Certain non-executive Directors of the Company, namely Mr. Tian Guoli, Mr. Chen Siqing, Mr. Ren Deqi, Mr. Gao Yingxin and Mr. Xu Luode, are also directors and/or senior management of Bank of China, and accordingly have abstained from voting on the resolutions in respect of the Proposed Acquisitions at the meetings of the Board.

In determining the consideration for each of the Proposed Acquisitions, the following factors, amongst others, were taken into account by BOCHK: the respective financial position and performance of the BOC Jakarta Branch and BOC Phnom Penh Branch, the immediate access to the local market as a step towards the expansion of BOCHK's presence in the ASEAN region, the fast-growing and substantial development potential of the ASEAN markets, opportunities presented by the strengthening of economic integration between China, Hong Kong and ASEAN countries, and opportunities presented by the continuing internationalisation of RMB for development in the ASEAN region, as well as precedent transactions in the banking industry and trading value of comparable companies in the regions.

The Directors believe that the Proposed Acquisitions would further facilitate the development of the Company's business, accelerate the enhancement of customer service, product innovation and marketing capability and competitive edge of the Company in the ASEAN region and anchor its foothold as a regional bank which would be consistent with the long term development strategy of the BOCHK Group as a whole in the ASEAN region.

## **LISTING RULES IMPLICATIONS**

Bank of China, the controlling shareholder of the Company, currently indirectly holding approximately 66.06% of the total number of issued shares of the Company (as recorded in the register maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance), is a connected person of the Company. As such, the Proposed Acquisitions constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios in respect of the Proposed Acquisitions are more than 0.1% but less than 5%, the Proposed Acquisitions are subject to

the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The continuing support of Bank of China to BOC Jakarta Branch and BOC Phnom Penh Branch will, from the respective completion of the Proposed Acquisitions, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Such continuing support will be provided pursuant to and within the proposed annual cap in respect of continuing connected transactions between BOCHK Group and Bank of China (and its associates, excluding BOCHK Group) for each of the three financial years ending 31 December 2019 (the "New Caps"), if approved by the independent shareholders of the Company at a general meeting scheduled to be held in June 2017. In the event that the independent shareholders of the Company do not grant approval for the New Caps at the general meeting, the Company will ensure that the transaction amounts of such continuing connected transactions fall within the 5% threshold for the remainder of the financial year. Prior to obtaining approval from the independent shareholders of the Company at the general meeting, aggregate transaction values of the continuing connected transactions will be closely monitored to ensure that they fall within 5% of the applicable percentage ratios as defined in the Listing Rules. Please refer to the Company's announcement dated 14 December 2016 and the circular issued by the Company dated 9 January 2017, on continuing connected transactions, for further details.

## **GENERAL**

The Board wishes to emphasize that the completion of the Proposed Acquisitions is not inter-conditional and completion of each of the Proposed Acquisitions is subject to the satisfaction (or, if applicable, waiver) of its respective conditions precedent including the obtaining of requisite approvals from domestic and overseas regulatory authorities. The Company will make further announcement(s) with regard to the Proposed Acquisitions, as well as other potential acquisitions in the ASEAN region pursuant to the restructuring exercise of the Group in compliance with the Listing Rules and/or Part XIVA of the Securities and Futures Ordinance as and when appropriate or required.

**As the completion of each Proposed Acquisition is subject to the satisfaction (or, if applicable, waiver) of the conditions precedent stated in the respective Acquisition Agreement, the Proposed Acquisitions may or may not proceed to completion. Accordingly, shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

"Acquisition Agreements"	means the Indonesia Asset Purchase Agreement and the Cambodia Asset Purchase Agreement, collectively, and each an "Acquisition Agreement"
"ASEAN"	means the Association of Southeast Asian Nations

“Bank of China”	means Bank of China Limited, a joint stock limited liability company established under the laws of the PRC, the H shares of which are listed on the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange, being the indirect holder of approximately 66.06% of the total number of issued shares in the Company as at the date of this announcement (as recorded in the register maintained by the Company pursuant to section 336 of the Securities and Futures Ordinance)
“Board”	means the board of Directors
“BOC Jakarta Branch”	means Bank of China Limited, Jakarta Branch and its eight sub-branches
“BOC Phnom Penh Branch”	means Bank of China Limited, Phnom Penh Branch, Cambodia and its two sub-branches
“BOCHK”	means Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“BOCHK Group”	means the Company and its subsidiaries
“Cambodia Asset Purchase Agreement”	means the sale and purchase agreement entered into on 28 February 2017 between Bank of China and BOCHK for the sale and purchase of the Cambodia Business
“Cambodia Business”	means all properties, assets and rights owned by Bank of China or BOC Phnom Penh Branch and used in connection with the banking business of BOC Phnom Penh Branch, including without limitation, the benefit (subject to the burden) of the contracts, goodwill, properties, trade debts, cash, interbank and money market items and investments, and the liabilities and obligations of Bank of China or BOC Phnom Penh Branch in connection with or arising out of the business of BOC Phnom Penh Branch, including without limitation, the banking obligations and trade credits
“Company”	means BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong, the shares of which are listed on the Stock Exchange



“Completion Date”	means the date of completion of the proposed acquisition of the Indonesia Business and the proposed acquisition of Cambodia Business as provided in the relevant Acquisition Agreement
“CNH”	means offshore RMB
“Directors”	means directors of the Company
“Group”	means Bank of China, the Company and their respective subsidiaries
“HK\$” or “HKD”	means Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	means the Hong Kong Special Administrative Region of the PRC
“IDR”	means Indonesian rupiah, the lawful currency of Indonesia
“Indonesia Asset Purchase Agreement”	means the sale and purchase agreement entered into on 28 February 2017 between Bank of China and BOCHK for the sale and purchase of the Indonesia Business
“Indonesia Business”	means all properties, assets and rights owned by Bank of China or BOC Jakarta Branch and used in connection with the banking business of BOC Jakarta Branch, including without limitation, the benefit (subject to the burden) of the contracts, goodwill, properties, trade debts, cash, interbank and money market items and investments, and the liabilities and obligations of Bank of China or BOC Jakarta Branch in connection with or arising out of the business of BOC Jakarta Branch, including without limitation, the banking obligations and trade credits
“Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	means 31 December 2017, or such later date as Bank of China and BOCHK may agree in writing as provided in the Acquisition Agreements
“Macau”	means the Macau Special Administrative Region of the PRC

“PRC” or “China”	means the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, Macau and Taiwan
“Proposed Acquisitions”	means the proposed acquisition of the Indonesia Business pursuant to the Indonesia Asset Purchase Agreement and the proposed acquisition of the Cambodia Business pursuant to Cambodia Asset Purchase Agreement, collectively, and each a “Proposed Acquisition”
“Relevant Period”	means the period between 1 January 2016 and the Completion Date pursuant to the Indonesia Asset Purchase Agreement in the case of the proposed acquisition of Indonesia Business, and the period between 1 January 2015 and the Completion Date pursuant to the Cambodia Asset Purchase Agreement in the case of the proposed acquisition of the Cambodia Business
“RMB”	means the lawful currency of the PRC
“Securities and Futures Ordinance”	means Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“USD”	means United States dollar, the lawful currency of the United States of America

*For the purpose of this announcement and for illustration purpose only, translations of Renminbi into Hong Kong dollars have been calculated by using an exchange rate of RMB1.00 = HK\$1.13.*

By Order of the Board  
LUO Nan  
Company Secretary

Hong Kong, 28 February 2017

*As at the date of this announcement, the Board comprises Mr. TIAN Guoli\* (Chairman), Mr. CHEN Siqing\* (Vice Chairman), Mr. YUE Yi (Vice Chairman and Chief Executive), Mr. REN Deqi\*, Mr. GAO Yingxin\*, Mr. XU Luode\*, Mr. LI Jiuzhong, Madam CHENG Eva\*\*, Dr. CHOI Koon Shum\*\*, Mr. KOH Beng Seng\*\* and Mr. TUNG Savio Wai-Hok\*\*.*

\* *Non-executive Directors*

\*\* *Independent Non-executive Directors*