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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in BOC Hong Kong (Holdings) Limited (中銀香港(控股)有限公司), you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CONTINUING CONNECTED TRANSACTIONS

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



A letter from the Board is set out on pages 4 to 14 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 15 of this circular. A letter from Gram Capital, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 32 of this circular. A notice for convening the AGM to approve, among others, the Continuing Connected Transactions and the New Caps, together with the proxy form for such purpose, will be dispatched separately to the Shareholders in April or May 2026.

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	4
LETTER FROM THE INDEPENDENT BOARD COMMITTEE.	15
LETTER FROM GRAM CAPITAL	16
APPENDIX – GENERAL INFORMATION	33

DEFINITIONS

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

“AGM”	the next annual general meeting of the Company, which is tentatively scheduled to be held in May or June 2026
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board” or “Board of Directors”	the board of Directors of the Company
“BOC”	Bank of China Limited, a joint stock limited liability company established under the laws of the People’s Republic of China, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange respectively; which indirectly holds approximately 66.06% of the total number of issued shares in the Company as at the Latest Practicable Date (as recorded in the register maintained by the Company pursuant to section 336 of the SFO)
“BOC Group”	BOC and its associates (excluding the Group)
“BOC Life”	BOC Group Life Assurance Company Limited, a company incorporated under the laws of Hong Kong, in which the Group and BOCG Insurance hold equity interests of 51% and 49% respectively
“BOCG Insurance”	Bank of China Group Insurance Company Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC
“BOCHK”	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of the Company
“BOCI”	BOC International Holdings Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC
“BOCI-Prudential Asset Management”	BOCI-Prudential Asset Management Limited, a company incorporated under the laws of Hong Kong, in which BOCI Asset Management Limited, a wholly owned subsidiary of BOCI, and Prudential Corporation Holdings Limited hold equity interests of 64% and 36%, respectively
“BOCI-Prudential Trustee”	BOCI-Prudential Trustee Limited, a company incorporated under the laws of Hong Kong, in which BOC Group Trustee Company Limited, a direct non-wholly owned subsidiary of the Company and Prudential Corporation Holdings Limited hold equity interests of 64% and 36%, respectively, and hence it is an indirect non-wholly owned subsidiary of the Company
“BOCI Securities”	BOCI Securities Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOCI
“Chinese Mainland” or “Mainland”	For the purposes of this circular only, excludes Hong Kong (China), Macau (China) and Taiwan (China)

DEFINITIONS

“Company”	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong, the shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the Investment and Referral Connected Transactions and the Inter-bank Connected Transactions
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Continuing Connected Transactions (including the New Caps)
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People's Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors
“Independent Shareholders”	Shareholders (other than BOC Group) who are not required to abstain from voting on the relevant resolution at the AGM to approve the Continuing Connected Transactions and the New Caps
“Inter-bank Connected Transactions”	the continuing connected transactions set out in the section headed “Particulars of the Continuing Connected Transactions – Inter-bank Connected Transactions” in the Letter from the Board in this circular
“Investment and Referral Connected Transactions”	the continuing connected transactions set out in the section headed “Particulars of the Continuing Connected Transactions – Investment and Referral Connected Transactions” in the Letter from the Board in this circular
“Latest Practicable Date”	15 January 2026, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (and a “Rule” means a rule of the Listing Rules)
“Macau”	Macau Special Administrative Region of the People's Republic of China
“New Caps”	the relevant annual caps in respect of each of the Continuing Connected Transactions for each of the three years ending 31 December 2028
“New Services and Relationship Agreement”	the Services and Relationship Agreement among, inter alia, the Company and BOC dated 30 December 2025
“Original Services and Relationship Agreement”	the Services and Relationship Agreement among, inter alia, the Company and BOC dated 30 December 2022

DEFINITIONS

“Po Sang Securities”	Po Sang Securities Limited, a company incorporated under the laws of Hong Kong, which will become an indirect wholly owned subsidiary of BOC upon completion of disposal of all of the issued shares of Po Sang Securities by BOCHK to BOCI Asia Limited, details of which are set out in the announcement of the Company dated 24 January 2025
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the same meaning ascribed to it under the Listing Rules

LETTER FROM THE BOARD



中銀香港(控股)有限公司

BOC HONG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Codes: 2388 (HKD counter) and 82388 (RMB counter)

Board of Directors:

Mr GE Haijiao* (Chairman)
Mr ZHANG Hui* (Vice Chairman)
Mr SUN Yu (Vice Chairman and Chief Executive)
Mr CAI Zhao*
Madam CHENG Eva**
Dr CHOI Koon Shum**
Madam FUNG Yuen Mei Anita**
Mr LAW Yee Kwan Quinn**
Professor LEE Sunny Wai Kwong**
Mr LIP Sai Wo**
Professor MA Si Hang Frederick**

* Non-executive Directors

** Independent Non-executive Directors

Registered office:

53rd Floor
Bank of China Tower
1 Garden Road
Hong Kong

21 January 2026

Dear Shareholders,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 30 December 2025 relating to, among others, the Continuing Connected Transactions and the New Caps.

Since the listing of the Company, the Group has been conducting certain continuing connected transactions with BOC and its associates in the ordinary and usual course of its business on normal commercial terms, including, among others, the Investment and Referral Connected Transactions and the Inter-bank Connected Transactions under the Original Services and Relationship Agreement. As at the Latest Practicable Date, BOC is the controlling shareholder of the Company. Accordingly, BOC and its associates, who are interested in 6,984,274,213 Shares, representing approximately 66.06% of the total number of issued shares in the Company as at the Latest Practicable Date (as recorded in the register maintained by the Company pursuant to section 336 of the SFO), are connected persons of the Company under the Listing Rules.

The Original Services and Relationship Agreement expired on 31 December 2025. On 30 December 2025, the Company and BOC entered into the New Services and Relationship Agreement, pursuant to which the parties will continue to carry out the Continuing Connected Transactions during the period commencing from 1 January 2026 and ending on 31 December 2028 (both days inclusive).

The annual caps for each of the financial years ended 31 December 2023 and 2024 in respect of the Continuing Connected Transactions have not been exceeded. Based on the information available to the Company up to the Latest Practicable Date, the Company does not expect the annual caps for the financial year ended 31 December 2025 to be exceeded.

The main purposes of this circular are:

- (a) to provide you with further details of the Continuing Connected Transactions and the New Caps;
- (b) to set out the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders containing its advice on the Continuing Connected Transactions and the New Caps; and
- (c) to set out the recommendation of the Independent Board Committee in respect of the Continuing Connected Transactions.

LETTER FROM THE BOARD

PARTICULARS OF THE CONTINUING CONNECTED TRANSACTIONS

Details of the Continuing Connected Transactions, comprising the Investment and Referral Connected Transactions and the Inter-bank Connected Transactions, and the New Caps are set out below.

Investment and Referral Connected Transactions

1. Securities Transactions

BOCI Securities and Po Sang Securities have a long history and track record in the past years, and are recognised as two of the leading brokerage firms in Hong Kong. The securities service providers (including BOCI Securities and Po Sang Securities) provide securities brokerage services to the Group and its customers from time to time in the ordinary and usual course of their business and on normal commercial terms.

In consideration of the provision of the securities brokerage services, the Group pays a commission based on a fixed portion of the gross commission (subject to transaction type) to such securities service providers. The determination of such commission is based on a number of factors, including the role and duties of the securities service providers under these transactions as well as the level of data security control and the standard of past performance of the securities service providers. The rates of such commission shall be no less favourable to the Group than those payable to independent third parties for providing similar services.

The table below sets out the historical commissions and the New Caps for the securities transactions described above:

	2023	2024	2025*
Historical commissions (HK\$ million)	161	216	249
	2026	2027	2028
New Caps (HK\$ million)	5,500	7,000	10,000

* For the eight months ended 31 August 2025 while the annual caps for the years ended 31 December 2023, 2024 and 2025 were HK\$5,000 million, HK\$7,000 million and HK\$10,000 million, respectively.

2. Fund Distribution Transactions

As one of the leading financial services providers in Hong Kong, the Group provides fund distribution services to fund suppliers (including BOCI-Prudential Asset Management) in its ordinary course of business which includes mandatory provident fund. The Group promotes and sells various fund products, including guaranteed fund and open-ended fund products, in its capacity as an intermediary or referrer between the fund suppliers and the fund subscribers. The Group receives a commission on the basis of a certain percentage of the subscription fee and the management fee received by such fund suppliers in relation to the funds. All fees and commissions payable by the fund suppliers (including BOCI-Prudential Asset Management) are calculated with reference to the prevailing market rates and the underlying transaction volumes based on an agreed fee schedule, subject to factors including but not limited to (i) changes to market environment; and (ii) the Group's relationship with individual fund suppliers, and such rates shall be no less favourable to the Group than those entered into with independent third parties and on normal commercial terms.

The table below sets out the historical commissions and rebates and the New Caps for the fund distribution transactions:

	2023	2024	2025*
Historical commissions and rebates (HK\$ million)	42	43	37
	2026	2027	2028
New Caps (HK\$ million)	5,500	7,000	10,000

* For the eight months ended 31 August 2025 while the annual caps for the years ended 31 December 2023, 2024 and 2025 were HK\$5,000 million, HK\$7,000 million and HK\$10,000 million, respectively.

LETTER FROM THE BOARD

3. Insurance Agency and Insurance Referral

The Group provides to BOCG Insurance and BOC Life insurance agency and insurance referral services and receives commission payments or referral fees in respect of the policies issued or renewed in accordance with the rates set out in the relevant fee schedule of BOCG Insurance and BOC Life, which are applicable to transactions conducted with independent third parties as well as the Group. The pricing policy and payment terms of the insurance agency services are determined with reference to the insurance agency arrangements and terms with other insurance providers, including the relevant product pricing information in the market, as well as the relevant commission rates. BOCG Insurance and BOC Life may, according to business need, offer sales incentive and client promotion fees to the Group. These incentives are determined with reference to the payment terms and conditions offered by independent third parties to the Group.

In conjunction with the provision of insurance referral services, the Group pays BOC Life service fees calculated as five percent of referral fees received in return for the sales and administration services provided by BOC Life on the relevant policies. The rate of referral fees after deducting the sales and administration service fees is similar to the rate of commission charged by the Group for the provision of insurance agency services with respect to the same insurance products.

Moreover, the Group provides insurance referral services to BOCI Private Wealth Management Limited (a subsidiary of BOCI), and receives a referral fee from BOCI Private Wealth Management Limited for the services provided. The fee rate for the insurance referral services is no less favourable to the Group than the fee rate charged by the Group to independent third parties.

The table below sets out the historical commissions and the New Caps for the insurance agency and insurance referral services:

	2023	2024	2025*
Historical commissions (HK\$ million)	2,164	2,693	2,736
	2026	2027	2028
New Caps (HK\$ million)	7,000	9,500	13,000

* For the eight months ended 31 August 2025 while the annual caps for the years ended 31 December 2023, 2024 and 2025 were HK\$5,000 million, HK\$7,000 million and HK\$10,000 million, respectively.

4. Investment Products Transactions

The Group may enter into investment products transactions during the ordinary and usual course of its business with BOC Group, whereby BOC Group subscribes for investment funds of which the Group acts as the fund manager or the issuer; or the Group subscribes for investment funds of which BOC Group acts as the fund manager or the issuer. These investment funds mainly include open-ended or close-ended public or private funds.

The Group derives a management fee from both retail and institutional subscribers or pays a management fee to BOC Group when it subscribes for funds. The management fee for each investment product may vary depending on, among others, the size and nature of the investment fund, and will be determined based on the market practice and on normal commercial terms or better.

For the subscription and redemption of fund units by investors, the relevant price per fund unit is published and determined by the fund administrator, being BOCI-Prudential Trustee, which is applicable to all investors of the same fund units (including BOC Group, the Group and independent third party investors). The rates of the associated management fee, performance fee and other applicable fees have been set out in a memorandum prepared by BOCI-Prudential Trustee and are no less favourable to the Group than those available to independent third parties.

LETTER FROM THE BOARD

The table below sets out the historical value and fees and the New Caps (for the avoidance of doubt, the amounts paid and received by the Group are not netted for the purpose of calculating the historical amounts and the New Caps) for the investment products transactions described above:

	2023	2024	2025*
Historical value and fees (HK\$ million)	371	1,119	3,097
	2026	2027	2028
New Caps (HK\$ million)	250,000	300,000	350,000

* For the eight months ended 31 August 2025 while the annual caps for the years ended 31 December 2023, 2024 and 2025 were HK\$200,000 million, HK\$250,000 million and HK\$350,000 million, respectively.

5. Asset Management and Referral Services

The Group may enter into asset management and related customer referral services transactions during the ordinary and usual course of its business with BOC Group whereby (i) the Group, as an investment manager, is engaged by BOC Group, as the client, for the provision of asset management services for a management fee; and (ii) BOC Group makes client referrals to the Group for the provision of asset management services.

The management fee charged by the Group (subject to review and approval by an internal committee of the Company) is in line with market rates or is no less favourable to the Group than those charged to independent third parties. The management fee is determined based on a number of factors, including but not limited to, the background and creditworthiness of the client and length of business relationship with the Group, and the amount of assets under the Group's management, etc.

For the customer referrals by BOC Group to the Group in connection with the Group's asset management services, where such client referrals materialise into a new business for the Group, the Group would share a percentage of management fee charged by it with BOC Group in return for its client referrals. The percentage share of management fee with BOC Group is no less favourable to the Group than those available from independent third parties.

The Group's asset management and customer referral services transactions with BOC Group are conducted in the ordinary and usual course of its business and on normal commercial terms and are fair and reasonable.

The table below sets out the historical revenues and payments and the New Caps (for the avoidance of doubt, the amounts paid and received by the Group are not netted for the purposes of calculating the historical amounts and the New Caps) for the asset management and referral services described above:

	2023	2024	2025*
Historical revenues and payments (HK\$ million)	102	171	125
	2026	2027	2028
New Caps (HK\$ million)	5,500	7,000	10,000

* For the eight months ended 31 August 2025 while the annual caps for the years ended 31 December 2023, 2024 and 2025 were HK\$5,000 million, HK\$7,000 million and HK\$10,000 million, respectively.

Inter-bank Connected Transactions

6. Foreign Exchange Transactions

In the ordinary and usual course of its business, the Group enters into foreign exchange transactions with BOC Group. Foreign exchange transactions include spot, forward and swap transactions of foreign exchange and precious metals, exercised currency options and foreign currency bank-note exchange transactions and physical precious metals transactions with BOC. All these transactions are executed on arm's length basis. Such transactions are entered into primarily for the purpose of foreign exchange risk management and in response to customer-driven transactions.

LETTER FROM THE BOARD

The Group conducts foreign exchange transactions (including non-physical precious metals transactions) with BOC Group in inter-bank market at the prevailing market price in line with normal business practice. For physical precious metals transactions, the fees are determined based on rational market rates with reference to the prevailing precious metal price, transportation costs, relevant security services and other related costs. The Group also enters into foreign exchange business partnership with BOC Group to provide products and financial services to customers by utilizing the price advantage of offshore RMB exchange rate. BOCHK provides offshore RMB price quoting services to BOC Mainland branches. On top of BOCHK's price, BOC Mainland branches mark up to their end clients. BOCHK earns from the difference between its trading cost and the price quoted to BOC Mainland branches, whereas BOC Mainland branches earn income from their mark up to end clients based on the quoted price from BOCHK. Income earned by BOC Mainland branches under this business model is retained in Hong Kong and can be transferred to their onshore accounts upon requests. All retained earnings on spot foreign exchange transactions will be transferred back to BOC Mainland branches. For foreign exchange forward transactions under this model, BOCHK keeps part of the retained earnings according to the split percentage set forth in the bilateral agreements between BOCHK and BOC Mainland branches. In addition, along with the development of many Chinese enterprises' "Going Global" growth strategy, as well as the Group's echo in supporting China's promotion on "The Belt and Road Initiative" national strategy, BOCHK sets up the Cross-border Referral Model with BOC Mainland branches on the joint marketing scheme to BOC Mainland branches' clients. Under the model, BOC Mainland branches refer their clients to BOCHK for, including but not limited to, account opening and carrying out foreign exchange transactions. Income generated under this model is the difference between BOCHK's trading cost and the quoted price to the client. Such earning is shared between BOCHK and BOC Mainland branches based on the split percentage bilaterally agreed. The proportion of income attributable to BOC Mainland branches will be retained in Hong Kong and will be transferred to their onshore accounts upon requests.

The price for each transaction shall be determined based on the market practice, the prevailing market conditions, the price of the trade products, and/or various risk management requirements of the Group, and shall be no less favourable to the Group than those available to or from independent third parties for comparable transactions.

The table below sets out the historical trading income and the New Caps for the foreign exchange transactions described above:

	2023	2024	2025*
Historical trading income (<i>HK\$ million</i>)	1,005	1,863	1,348
	2026	2027	2028
New Caps (<i>HK\$ million</i>)	5,500	7,000	10,000

* For the eight months ended 31 August 2025 while the annual caps for the years ended 31 December 2023, 2024 and 2025 were HK\$5,000 million, HK\$7,000 million and HK\$10,000 million, respectively.

7. Derivatives Transactions

In the ordinary and usual course of its business, the Group enters into over-the-counter and on-exchange derivatives transactions with clients and counterparties. Such derivatives transactions mainly consist of (but not limited to) foreign exchange, commodity, equity, interest rate and credit derivative products such as interest rate swaps, cross currency interest rate swaps, foreign exchange options, bond options, equity derivatives, credit derivatives, commodities swaps, etc. All transactions are executed with reference to the prevailing market price. These transactions are all executed on an arm's length basis and on normal commercial terms. Such transactions are entered into for various reasons, including allowing BOC Group to hedge its exposures to an underlying asset class or for the purpose of taking a risk position in relation to that underlying asset class, or meeting the need of their customer-driven business. The price for each transaction shall be determined based on the general financial market practice, the prevailing market conditions and price of the trade products, the price quoted by third parties and/or various risk management requirements of the Group, and shall be no less favourable to the Group than those available to or from independent third parties for comparable transactions.

LETTER FROM THE BOARD

The table below sets out the historical trading income and the New Caps for the derivatives transactions described above:

	2023	2024	2025*
Historical trading income (HK\$ million)	87	20	17
	2026	2027	2028
New Caps (HK\$ million)	5,500	7,000	10,000

* For the eight months ended 31 August 2025 while the annual caps for the years ended 31 December 2023, 2024 and 2025 were HK\$5,000 million, HK\$7,000 million and HK\$10,000 million, respectively.

8. Trading of Financial Assets

The Group enters into various transactions with BOC, its branches and affiliated companies, in which BOC, its branches and affiliated companies buy or sell secondary interests in loans from and to the Group. Trading of accounts receivables, forfaiting and other similar types of financial assets are also included in this category. These transactions are conducted on normal commercial terms with reference to prevailing market rates, and where prevailing market rates are not applicable, the terms of the transactions will be determined with reference to similar transactions entered into with independent third parties, and are entered into for the purpose of risk management of assets and maintaining adequate liquidity level. The risk management unit of the Group monitors and reviews the terms of trading of financial assets to ensure the transactions are executed at prevailing market rates or at rates that are no less favourable than those available to or from independent third parties.

The table below sets out the historical value of such financial assets traded by the Group with BOC, its branches and affiliated companies and the New Caps (for the avoidance of doubt, the amounts paid and received by the Group are not netted for the purposes of calculating the historical amounts and the New Caps) for such transactions:

	2023	2024	2025*
Historical value (HK\$ million)	8,431	1,651	3,111
	2026	2027	2028
New Caps (HK\$ million)	250,000	300,000	350,000

* For the eight months ended 31 August 2025 while the annual caps for the years ended 31 December 2023, 2024 and 2025 were HK\$200,000 million, HK\$250,000 million and HK\$350,000 million, respectively.

9. Inter-bank Capital Markets

The Group buys and sells debt securities (issued by BOC Group or independent third parties) from and to BOC Group in the primary market and secondary market with reference to prevailing market rates for the Group's own investment or to run its customer-driven business. The Group trades all kinds of fixed income securities (including but not limited to bond, certificate of deposit, commercial paper and structure notes) and repurchase/reverse repurchase with BOC Group. The Group obtains fee/price quotations from other financial institutions including BOC Group. Where prevailing market rates are not applicable, the terms of the transactions will be determined with reference to similar transactions entered into with independent third parties. The control units of the Group will review the transactions to ensure that they are executed at prevailing market rates or at rates that are no less favourable than those available to or from independent third parties.

The table below sets out the historical value of debt and other securities traded by the Group with BOC Group and the New Caps (for the avoidance of doubt, the amounts paid and received by the Group are not netted for the purposes of calculating the historical amounts and the New Caps) for such transactions:

	2023	2024	2025*
Historical value (HK\$ million)	63,810	157,540	59,029
	2026	2027	2028
New Caps (HK\$ million)	500,000	600,000	700,000

* For the eight months ended 31 August 2025 while the annual caps for the years ended 31 December 2023, 2024 and 2025 were HK\$200,000 million, HK\$250,000 million and HK\$350,000 million, respectively.

REASONS AND BASIS FOR THE ANNUAL CAPS

Investment and Referral Connected Transactions

The Investment and Referral Connected Transactions generally involve activities which are regulated by various regulatory bodies in Hong Kong, such as the Hong Kong Monetary Authority, the Securities and Futures Commission and the Insurance Authority. The Investment and Referral Connected Transactions are market driven and unpredictable in nature. The securities transactions, fund distribution transactions, asset management and referral services are subject to the sentiment of the investment market whereas the Inter-bank Connected Transactions are based on customers' decision on their wealth management portfolio (e.g. stock, trust fund and foreign currency, etc.), both of which are not within the Group's control. Accordingly, standard cap amounts of HK\$5,500 million, HK\$7,000 million and HK\$10,000 million are proposed for each of the Investment and Referral Connected Transactions (except for insurance agency and insurance referral transactions and investment products transactions) for the three years ending 31 December 2028, which are set at a similar level to the annual caps for these transactions for the three years ended 31 December 2025. The annual cap for the year ending 31 December 2026 is based on 5% of the revenue of the Group arising from its principal activities (being the benchmark figure adopted internally by the Company with reference to the Company's experience in similar transactions and which the Company considers reasonable given the volatility of the capital markets) of approximately HK\$75,063 million for the year ended 31 December 2024 after taking into account the average growth rate of the revenue of the Group for the three years ended 31 December 2024 of approximately 4.64% and also an estimated annual growth rate of approximately 20%. For each of the two years ending 31 December 2028, an estimated annual growth rate of approximately 20% is applied on the annual cap for the year ending 31 December 2026 and a buffer is also incorporated with the intention to cover any significant and unexpected increase in demand of the Investment and Referral Connected Transactions (except for insurance agency and insurance referral transactions and investment products transactions).

The insurance agency and insurance referral transactions relate primarily to the insurance market and its growth trend and the volume and amounts of such transactions are also subject to external factors outside the Group's control. The cap amounts of HK\$7,000 million, HK\$9,500 million and HK\$13,000 million are proposed for the three years ending 31 December 2028. The annual caps for the three years ending 31 December 2028 are based on the estimated annual growth rate after taking into account the average growth rate of the Group's insurance agency and insurance referral transactions for the three years ended 31 December 2024. BOCHK's insurance agency and insurance referral business has witnessed healthy growth in recent years with an average annual growth rate of 48% for the recent three years and is expected to attain continuous growth in the coming three years. Such increase was primarily due to the continuous growth of the insurance market and the increasing demand of insurance agency and insurance referral services in recent years. As disclosed in the annual report of the Company for the year ended 31 December 2024 and its interim report for the six months ended 30 June 2025, the Group's insurance revenue increased (i) from approximately HK\$1,897 million for the year ended 31 December 2023 to approximately HK\$2,695 million for the year ended 31 December 2024, representing a year-on-year increase of approximately 42.07%, and (ii) from approximately HK\$1,186 million for the six months ended 30 June 2024 to approximately HK\$1,548 million for the six months ended 30 June 2025, representing a year-on-year increase of approximately 30.52%. The consistent growth and increasing demand for insurance services have led to an upward adjustment of the proposed annual caps for the three years ending 31 December 2028. A buffer is also incorporated with the intention to cover the continuous growth of the insurance market and any significant and unexpected increase in demand of the insurance agency and insurance referral transactions.

Investment products transactions involve subscription for investment funds of which the Group acts as the fund manager or the issuer, or the investment funds of which the BOC Group acts as the fund manager or the issuer. As the transaction nature for investment products transactions is different from that of other Investment and Referral Connected Transactions, the New Caps set for this particular category of transactions are determined with reference to the gross notional amount of the investment transactions instead of the revenue, which is the basis adopted for other Investment and Referral Connected Transactions. In addition, due to the unexpected fluctuations of the financial markets and economic conditions, the Company needs to set up a cap that can provide flexibility to accommodate future unexpected volatility in rate movements in the global market.

Since the transaction amounts of the Investment and Referral Connected Transactions may vary significantly due to the unexpected fluctuations of the financial markets and economic conditions, the Directors (including the independent non-executive Directors) consider setting standard cap amounts for the Investment and Referral Connected Transactions for each of the three years ending 31 December 2028 is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Inter-bank Connected Transactions

The Inter-bank Connected Transactions involve transactions among banks or financial institutions, which are regulated by monetary authorities in all regions. For these transactions, a buy order and a sell order will be regarded as two transactions, and the amounts involved will therefore be counted twice. Accordingly, the historical transaction amounts are not a good indicator to estimate the future transaction amounts.

The foreign exchange transactions include spot, forward and outright swap transactions of foreign exchange and precious metals, exercised currency options and foreign currency bank-note exchange transactions and physical precious metals transactions, which may vary significantly depending on the prevailing market rates. The revenue or loss generated from these transactions is largely dependent on the relative strength or weakness of the currency, which is beyond the Group's control. Given the market-driven nature of the foreign exchange transactions, it is difficult for the Group to estimate the future transaction amounts, and the New Caps of these transactions are set at the same amounts as those of the Investment and Referral Connected Transactions (except for insurance agency and insurance referral transactions and investment products transactions).

Derivatives transactions include foreign exchange, commodity, equity, interest rate and credit derivatives products, such as interest rate swaps, cross currency interest rate swaps, foreign exchange options, bond options, equity derivatives, credit derivatives, commodities swaps, etc. The trading income generated from these transactions is largely dependent on the trend of interest rates in the global financial markets, which is beyond the control of the Group. Given the volatility of the financial markets and variations of characteristics of derivatives transactions, it is expected that the mark-to-market value of the outstanding deals will demonstrate high fluctuation. In view of this, the Company needs to set up a cap that can provide flexibility to accommodate future unexpected volatility in rate movements in the global market. The New Caps of these transactions are set at the same amounts as those of the Investment and Referral Connected Transactions (except for insurance agency and insurance referral transactions and investment products transactions).

The trading of financial assets and the inter-bank capital markets transactions involve offshore RMB bonds, Hong Kong dollar bills and exchange fund notes, of which the Group is one of the market makers in Hong Kong. The Group is currently becoming increasingly active in BOC Group's trading of Hong Kong dollar, RMB, Euro and US dollar bonds in the Asian market. BOC overseas branches are now part of the Group's major counterparts in inter-bank capital markets transactions.

For the trading of financial assets transactions, given the great uncertainties of such transactions which may vary subject to market conditions, the annual cap for the year ending 31 December 2026 is set with reference to 5% of the total assets of the Group (adjusted to take into account the payment of the final dividend for the year ended 31 December 2024 of approximately HK\$15,003 million) of approximately HK\$4,179,405 million as at 31 December 2024 (being the benchmark figure adopted internally by the Company with reference to the Company's experience in similar transactions and which the Company considers reasonable given the volatility of the capital markets) and after taking into account the average growth rate of the total assets of the Group for the three years ended 31 December 2024, of approximately 4.83% and also an estimated annual growth rate of approximately 20% with considering the increasingly close ties between onshore and offshore China market and activities. For each of the two years ending 31 December 2028, an estimated annual growth rate of approximately 20% is applied on the annual cap for the year ending 31 December 2026 and a buffer is also incorporated with the intention to cover any significant and unexpected increase in demand of the trading of financial assets transactions. Standard cap amounts of HK\$250,000 million, HK\$300,000 million and HK\$350,000 million are proposed for the trading of financial assets transactions for the three years ending 31 December 2028, which are set at a similar level to the annual caps for these transactions for the three years ended 31 December 2025.

For the inter-bank capital market transactions, the business collaboration between BOCHK and BOC Group is expected to increase in light of the new RMB internationalisation roadmap from the People's Bank of China and Hong Kong Monetary Authority. Looking ahead, the scale and scope of the cross-border fixed income business will expand to include offerings such as repo and reverse repo, securities borrowing and lending, and structured notes and other products. In September 2025, relevant Chinese Mainland financial authorities jointly issued the "Announcement on Further Supporting Overseas Institutional Investors in Conducting Bond Repurchase Business". Under this policy measure, all overseas institutional investors already investing in the onshore bond market, including Bond Connect investors, will be allowed to participate in the onshore repo business. As a result, the repo business is expected to experience a notable increase in the future. In order to increase market share in cross border capital projects as a trading hub, it is imperative for the Group to utilise intra-group trading resources. Promoting RMB internationalisation remains a key focus of the Group's strategy, while further opening up onshore capital market will drive more inter-bank capital market business opportunities. BOCHK is active in the debt capital market. As BOCHK is expected to be one of the dominant players in debt capital market, BOCHK expects to increase its direct dealings with BOC in the

LETTER FROM THE BOARD

inter-bank capital market in order to source the bonds in which the Group's focus clients are interested. According to the data published by Bond Connect, the transaction volume of Northbound Bond Connect has increased from approximately RMB8,000 billion in 2022 to approximately RMB10,000 billion in 2024, representing an average year-on-year growth of approximately 12.5%. Furthermore, according to the data published by Shanghai Clearing House, the outstanding custody balance under Southbound Bond Connect increased from approximately RMB364 billion in 2023 to approximately RMB552 billion in 2024, representing a year-on-year growth rate of 51.6%, and further increased to approximately RMB655 billion as at November 2025, which indicates that the market activity under the Southbound Bond Connect has increased significantly. The growth in the bond transaction volume and custody balance of bonds in recent years has demonstrated strong demand in such transaction and led to an upward adjustment of the proposed annual caps for the three years ending 31 December 2028. Since this category of transactions is largely dependent on the global financial market trend and there has been significant volatility in the past years, it is necessary to incorporate flexibility to accommodate any significant and unexpected increase in demand of the transactions. In consideration of the aforementioned factors, the cap amounts of HK\$500,000 million, HK\$600,000 million and HK\$700,000 million are proposed for the inter-bank capital markets transactions for the three years ending 31 December 2028.

Such annual caps provide flexibility for the Group to accommodate future unexpected volatility of the financial markets, and the Directors (including the independent non-executive Directors) consider that the annual caps for the Inter-bank Connected Transactions for each of the three years ending 31 December 2028 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES

The Company has formulated certain measures and policies, including connected transactions management policies and administrative measures for connected transactions under the Listing Rules, to ensure that all connected transactions of the Group are properly controlled and monitored. The policies aim to establish an effective framework for monitoring connected transactions (including the transactions with connected parties stipulated under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and connected transactions under the Listing Rules), help maintain sound business operations, establish risk monitoring system and ensure that all the connected transactions are conducted in the interests of the Company and its Shareholders as a whole. The administrative measures aim to standardise and specify the division of management responsibilities and duties as well as the monitoring mechanism in connection with the connected transactions of the Group, so as to protect the Shareholders' overall interests and also the interests of the Company and its stakeholders. The connected transactions of the Group shall be implemented in accordance with the principles, rules and procedures stipulated in the policies and administrative measures.

Heads and compliance officers of all units are responsible for ensuring that employees in their relevant units have a comprehensive understanding of the policies and administrative measures and will implement the provisions therein to ensure that the connected transactions comply with such policies and measures. Responsible units should also formulate detailed plans and measures based on the principles stipulated in the policies and administrative measures in order to ensure that the Continuing Connected Transactions are in compliance with the Listing Rules.

As part of the internal control and risk management procedures, each responsible unit shall carry out certain procedures prior to the signing of any contracts or agreements, which include reviewing specific contracts between the Company and connected persons, regularly inspecting specific terms of the Continuing Connected Transactions and also comparing such terms with terms of comparable transactions to ensure that the pricing policies and/or other contract terms are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

Each responsible unit shall also report on and submit detailed information on the Continuing Connected Transactions to a centralised independent unit of the Company (the **"Independent Unit"**) for review and analysis prior to the entering into of any specific contracts, and ensure that the connected transactions are in compliance with applicable laws, rules and regulations as well as the internal policies and administrative measures.

In addition, as part of the internal control and risk management procedures and to ensure that the Continuing Connected Transactions do not exceed the relevant annual caps, the relevant units shall be responsible for monitoring the transaction amounts and submitting the data on the transaction amounts to the Independent Unit on a regular basis. Furthermore, the Independent Unit shall report on any new Continuing Connected Transactions conducted by various units to the Board and/or relevant committees each year. In the event that the transaction amount of any Continuing Connected Transaction incurred or to be incurred for a financial year is expected to reach or exceed the relevant annual caps, the responsible unit will liaise with the Independent Unit to report to the management of the Company and consider measures to be taken to ensure compliance with requirements under the Listing Rules, including obtaining Independent Shareholders' approval if necessary.

LETTER FROM THE BOARD

The Independent Unit shall report on the Continuing Connected Transactions to the Board, relevant committees and/or the management each year, such that they may conduct review to ensure that the Continuing Connected Transactions are on normal commercial terms, fair and reasonable, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. The independent non-executive Directors will also conduct an annual review of the Continuing Connected Transactions in accordance with the Listing Rules. The Company will engage its external auditors to report on the Continuing Connected Transactions every year. The external auditors will provide a letter to the Board confirming the matters required under the Listing Rules including whether the Continuing Connected Transactions are carried out in accordance with the relevant pricing policies.

LISTING RULES REQUIREMENTS

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the New Caps for each of the Investment and Referral Connected Transactions and the Inter-bank Connected Transactions are 5% or more, each of the Investment and Referral Connected Transactions and the Inter-bank Connected Transactions constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules, and are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Continuing Connected Transactions must abstain from voting on the relevant resolution at the AGM. BOC and its associates, who are interested in 6,984,274,213 Shares, representing approximately 66.06% of the total number of issued shares in the Company as at the Latest Practicable Date (as recorded in the register maintained by the Company pursuant to section 336 of the SFO), are therefore required to abstain from voting on the resolution in respect of the Continuing Connected Transactions and the New Caps at the AGM.

Mr GE Haijiao, Mr ZHANG Hui and Mr CAI Zhao, non-executive Directors, are directors of BOC, accordingly they have abstained from voting on the resolution in respect of the Continuing Connected Transactions and the New Caps at the meeting of the Board.

ANNUAL GENERAL MEETING

The Company will seek approval from the Independent Shareholders in respect of the Continuing Connected Transactions and the New Caps at the AGM of the Company, which is tentatively scheduled to be held in May or June 2026. A notice of AGM together with a proxy form will be dispatched to the Shareholders in April or May 2026.

As the Investment and Referral Connected Transactions and the Inter-bank Connected Transactions will continue following the expiration of the financial year ended 31 December 2025, each of the aggregate transaction values of the Investment and Referral Connected Transactions and the Inter-bank Connected Transactions will be closely monitored to ensure that they fall within 5% of the applicable percentage ratios as defined in the Listing Rules, prior to obtaining approval from the Independent Shareholders at the AGM. Various control mechanisms have been adopted by the Company to ensure that the relevant connected transactions fall within the 5% threshold. Such mechanisms include generating monthly reports showing the transaction figures for each of the relevant connected transactions, and imposing a lower threshold as an internal cap whereby a warning signal will be issued and preventive measures will be taken immediately if the relevant connected transactions reach the internal cap.

In the event that the Independent Shareholders do not grant approval for the New Caps of the Investment and Referral Connected Transactions and the Inter-bank Connected Transactions at the AGM, the Company will ensure that the transaction amounts of such connected transactions fall within the 5% threshold for the remainder of the year.

INFORMATION ON THE GROUP AND BOC

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

BOC 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 the Chinese Mainland, as well as other countries and regions.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) believe that the terms of the Continuing Connected Transactions (including the New Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. The Directors (including the independent non-executive Directors) would recommend the Independent Shareholders to vote in favour of the resolution to approve the Continuing Connected Transactions and the New Caps at the AGM.

ADDITIONAL INFORMATION

The Independent Board Committee has been set up to advise the Independent Shareholders in respect of the Continuing Connected Transactions and the New Caps. Gram Capital has been appointed to advise the Independent Board Committee and the Independent Shareholders in such regard. Accordingly, your attention is drawn to the letter of advice from the Independent Board Committee set out on page 15 of this circular, which contains its recommendation to the Independent Shareholders, and the letter from Gram Capital set out on pages 16 to 32 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
On behalf of the Board
GE Haijiao
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



中銀香港(控股)有限公司

BOC HONG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Codes: 2388 (HKD counter) and 82388 (RMB counter)

21 January 2026

To: the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated 21 January 2026 (the “**Circular**”) to the Shareholders, of which this letter forms part. Terms defined in the Circular have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Continuing Connected Transactions (including the New Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the New Caps.

We wish to draw your attention to the “Letter from the Board” set out on pages 4 to 14 of the Circular, and the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 16 to 32 of the Circular which contains its opinion in respect of the Continuing Connected Transactions and the New Caps.

Having taken into account the advice of Gram Capital and its recommendation in relation thereto, we believe that the terms of Continuing Connected Transactions (including the New Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that you vote in favour of the resolution to be proposed at the AGM to approve the Continuing Connected Transactions and the New Caps.

Yours faithfully,
LIP Sai Wo (*Chairman*)
CHENG Eva
CHOI Koon Shum
FUNG Yuen Mei Anita
LAW Yee Kwan Quinn
LEE Sunny Wai Kwong
MA Si Hang Frederick
Independent Board Committee

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

21 January 2026

To: *The independent board committee and the independent shareholders of BOC Hong Kong (Holdings) Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions (including the New Caps), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 January 2026 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Group has been conducting the Continuing Connected Transactions with BOC Group since the Company’s listing in 2002. The Continuing Connected Transactions are carried out in the ordinary and usual course of business of the Group, and are regulated by the Original Services and Relationship Agreement and the specific agreements entered and to be entered into from time to time pursuant thereto by the relevant members of the Group.

The Original Services and Relationship Agreement expired on 31 December 2025. On 30 December 2025, the parties to the Original Services and Relationship Agreement entered into the New Services and Relationship Agreement, pursuant to which the parties will continue to carry out, amongst other, the Continuing Connected Transactions during the period from 1 January 2026 to 31 December 2028 (both days inclusive).

With reference to the Board Letter, the Continuing Connected Transactions are subject to the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Madam CHENG Eva, Dr CHOI Koon Shum, Madam FUNG Yuen Mei Anita, Mr LAW Yee Kwan Quinn, Professor LEE Sunny Wai Kwong, Mr LIP Sai Wo and Professor MA Si Hang Frederick (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Continuing Connected Transactions (including the New Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution to approve the Continuing Connected Transactions (including the New Caps) at the AGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors or the Company’s management (the “**Management**”). We have assumed that all information and representations that have been provided by the Directors/Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors/Management, which have been provided to us. Our opinion is based on the Management’s representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Continuing Connected Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM GRAM CAPITAL

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, BOC or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

Information on the Group

With reference to the Board Letter, the Company is an investment holding company and its subsidiaries are principally engaged in the provision of banking and financial services in Hong Kong.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2024 and for the six months ended 30 June 2025 prepared in accordance with Hong Kong Financial Reporting Standards, as extracted from the Company's annual report for the year ended 31 December 2024 (the "2024 Annual Report") and the Company's interim report for the six months ended 30 June 2025 (the "2025 Interim Report"):

	For the six months ended 30 June 2025 HK\$' million (unaudited)	For the six months ended 30 June 2024 HK\$' million (unaudited)	Year-on- year change %	For the year ended 31 December 2024 HK\$' million (audited)	For the year ended 31 December 2023 HK\$' million (audited)	Year-on- year change %
Net operating income before impairment allowances	40,022	35,336	13.26	71,253	65,498	8.79
– Net interest income	25,063	25,982	(3.54)	52,334	51,078	2.46
– Net fee and commission income	6,292	5,000	25.84	9,893	9,167	7.92
– Insurance service result	1,103	671	64.38	1,751	946	85.10
– Net trading gain	12,231	5,275	131.87	10,988	8,315	32.15
– Net gain/(loss) on other financial instruments at fair value through profit or loss	3,527	(868)	N/A	(782)	2,277	N/A
– Net loss on other financial instruments	(1,116)	(213)	423.94	(1,416)	(1,468)	(3.54)
– Insurance finance expenses	(7,375)	(842)	775.89	(2,139)	(5,430)	(60.61)
– Other operating income	297	331	(10.27)	624	613	1.79
Net operating income	36,704	33,255	10.37	66,171	59,165	11.84
Profit for the period/year	22,796	20,463	11.40	39,118	34,857	12.22

The Group recorded net operating income before impairment allowances of approximately HK\$71.25 billion for the year ended 31 December 2024 ("FY2024"), represented an increase of approximately 8.79% as compared to that for the year ended 31 December 2023 ("FY2023").

LETTER FROM GRAM CAPITAL

The Group's net interest income, net fee and commission income, insurance service result, net trading gain, and other operating income for FY2024 increased by approximately 2.46%, 7.92%, 85.10%, 32.15% and 1.79% respectively as compared to those for FY2023; while the Group's net loss on other financial instruments and insurance finance expenses for FY2024 decreased by approximately 3.54% and 60.61% respectively as compared to those for FY2023. The Group also made a turnaround from net gain on other financial instrument at fair value through profit or loss for FY2023 to net loss on other financial instruments at fair value through profit or loss for FY2024.

The Group's net operating income and profit for FY2024 increased by approximately 11.84% and approximately 12.22% respectively as compared to those for FY2023.

With reference to the 2024 Annual Report, the aforesaid increase in the Group's net operating income before impairment allowances was mainly due to:

- (i) year-on-year increase in net interest income as a result of the growth in average interest-earning assets;
- (ii) year-on-year increase in net fee and commission income as a result of the increase in fee and commission income from (a) credit card business; (b) securities brokerage; (c) insurance business; (d) trust and custody services; (e) payment services; (f) funds distribution; (g) currency exchange; and (h) funds management;
- (iii) year-on-year increase in net trading gain mainly attributable to a year-on-year increase in swap income from foreign exchange swap contracts; and
- (iv) year-on-year decrease in insurance finance expenses caused by market interest rate movements,

as partially offset by the recognition of net loss on other financial instruments at fair value through profit or loss for FY2024 as opposed to net gain on other financial instruments at fair value through profit or loss for FY2023, primarily due to a drop in the mark-to-market value of BOC Life's debt securities investments caused by market interest rate movements.

As a result of the aforesaid increase in net operating income, the Group's profit for FY2024 increased by approximately 12.22% as compared to that for FY2023.

The Group recorded net operating income before impairment allowances of approximately HK\$40.02 billion for the six months ended 30 June 2025 ("1H2025"), represented an increase of approximately 13.26% as compared to that for the six months ended 30 June 2024 ("1H2024"), primarily due to the increase in net fee and commission income and net trading gain. With reference to the 2025 Interim Report, (i) the aforesaid increase in net fee and commission income was mainly due to increased demand for wealth management services; and (ii) the aforesaid increase in net trading gain was mainly attributable to increased income from the Group's global markets trading business and the increase in the mark-to-market value of foreign exchange related products resulting from market volatility.

As a result of the aforesaid increase in net operating income, the Group's profit for 1H2025 increased by approximately 11.40% as compared to that for the corresponding period in 2024.

Information on BOC

With reference to the Board Letter, BOC 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 the Chinese Mainland, as well as other countries and regions. BOC is the controlling Shareholder, indirectly holding approximately 66.06% of the total number of issued shares of the Company as at the Latest Practicable Date. The H shares and A shares of BOC are listed on the Stock Exchange and the Shanghai Stock Exchange respectively.

Reasons for and benefits of the Continuing Connected Transactions

As aforementioned, since the Company's listing in 2002, the Group has been conducting the Continuing Connected Transactions with BOC Group pursuant to the Original Services and Relationship Agreement.

With reference to the Board Letter, the Continuing Connected Transactions include:

- (i) BOCI Securities (a wholly owned subsidiary of BOCI, which in turn is a wholly owned subsidiary of BOC) and Po Sang Securities (a company which will become an indirect wholly owned subsidiary of BOC upon completion of the disposal of all of the issued shares of Po Sang Securities by BOCHK to BOCI Asia Limited as detailed in the Company's announcement dated 24 January 2025) provide securities brokerage services to the Group and its customers ("**Securities Transactions**");
- (ii) the Group provides fund distribution services to fund suppliers (including BOCI-Prudential Asset Management (a subsidiary of BOC)) in its ordinary course of business which includes mandatory provident fund ("**Fund Distribution Transactions**");

LETTER FROM GRAM CAPITAL

- (iii) the Group provides to BOCG Insurance (a wholly owned subsidiary of BOC) and BOC Life (a connected subsidiary of the Company) insurance agency and insurance referral services (the “**Insurance Agency and Insurance Referral**”);
- (iv) investment products transactions whereby (a) BOC Group subscribes for investment funds of which the Group acts as the fund manager or the issuer; or (b) the Group subscribes for investment funds of which BOC Group acts as the fund manager or the issuer (the “**Investment Products Transactions**”);
- (v) asset management and related customer referral services transactions whereby (a) the Group, as an investment manager, is engaged by BOC Group, as the client, for the provision of asset management services; and (b) BOC Group makes client referrals to the Group for the provision of asset management services (the “**Asset Management and Referral Services**”);
- (vi) the Group’s foreign exchange transactions with BOC Group, include spot, forward and swap transactions of foreign exchange and precious metals, exercised currency options and foreign currency bank-note exchange transactions and physical precious metals transactions (the “**Foreign Exchange Transactions**”);
- (vii) the Group’s over-the-counter and on-exchange derivatives transactions with BOC Group, mainly consist of (but not limited to) foreign exchange, commodity, equity, interest rate and credit derivative products such as interest rate swaps, cross currency interest rate swaps, foreign exchange options, bond options, equity derivatives, credit derivatives, commodities swap, etc. (the “**Derivatives Transactions**”);
- (viii) various transactions that the Group enters into with BOC, its branches and affiliated companies, in which BOC, its branches and affiliated companies buy or sell secondary interests in loans from and to the Group (the “**Trading of Financial Assets**”). Trading of accounts receivables, forfaiting and other similar types of financial assets are also included in this category; and
- (ix) trading of debt securities in which the Group buys or sells debt securities (issued by BOC Group or independent third parties) from and to BOC Group in the primary and secondary market (the “**Inter-Bank Capital Markets Transactions**”). The Group trades all kinds of fixed income securities (including but not limited to bond, certificate of deposit, commercial paper and structure notes) and repurchase/reverse repurchase with BOC Group. The Group obtains fee/price quotations from other financial institutions including BOC Group.

Upon our discussion with the Management, we understood that (i) all of the Continuing Connected Transactions are necessary for and conducted during the Group’s daily operations; and (ii) income generated from the Continuing Connected Transactions has been accounted for and included in the Group’s total operating income under the Group’s condensed consolidated income statement.

Having considered the above, we consider that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Principal terms of the Continuing Connected Transactions

A. *Nature and pricing policies*

1. *Securities Transactions*

With reference to the Board Letter, BOCI Securities and Po Sang Securities have a long history and track record in the past years and are recognised as two of the leading brokerage firms in Hong Kong. The securities service providers (including BOCI Securities and Po Sang Securities) provide securities brokerage services to the Group and its customers from time to time in the ordinary and usual course of their business and on normal commercial terms.

In consideration of the provision of the securities brokerage services, the Group pays a commission based on a fixed portion of the gross commission (subject to transaction type) to such securities service providers. The determination of such commission is based on a number of factors, including the role and duties of the securities service providers under these transactions as well as the level of data security control and the standard of past performance of the securities service providers. The rates of such commission shall be no less favourable to the Group than those available from independent third parties for providing similar services.

As advised by the Management, the Group executed all of its Hong Kong/China listed securities transactions through two brokerage houses (including BOCI Securities and Po Sang Securities) with the relevant service fees calculated based on the pre-determined fee rates (based on the type of securities transactions) of the commission charged by the Group’s on its customers. The pre-determined fee rates were determined based on a number of factors, including the role and duties of BOCI Securities and Po Sang Securities under these transactions and the standard of past performance of BOCI Securities and Po Sang Securities, which are considered to be in line with market practices by the Management.

For our due diligence purpose, (i) we obtained and reviewed the executed service agreement in relation to the Securities Transactions and relevant amendments entered into between the Group and BOCI Securities (the “**Securities Agreement**”) which set out the prevailing fee rates for each type of the Securities Transactions; and (ii) we requested the Company to provide, on a random selection basis, and obtained certain copies of previous transaction documents regarding the Securities Transactions between the Group and BOCI Securities which covered each of FY2023, FY2024 and 1H2025. We noted that the fee rates charged by BOCI Securities were in line with those set out in the Securities Agreement. We also obtained an internal assessment record of the Group showing that the terms of Securities Transactions (including the fee rates for each type of Securities Transactions) entered into between the Group and BOCI Securities were in line with market practice and no less favourable than those offered by independent third parties based on the quotations obtained by the Group.

With reference to the Board Letter, the Company has formulated certain measures and policies (the “**IC Measures & Policies**”), including connected transactions management policies and administrative measures for connected transactions under the Listing Rules, to ensure that all connected transactions of the Group are properly controlled and monitored. Details of the IC Measures & Policies are set out under the section headed “Internal Control Procedures” of the Board Letter.

With reference to the 2024 Annual Report and as confirmed by the Management:

- (i) The independent non-executive Directors reviewed the Continuing Connected Transactions and confirmed that these transactions were (i) entered into in the ordinary and usual course of business of the Group; (ii) conducted on normal commercial terms or better; and (iii) entered into according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole (the “**INED Confirmation**”).
- (ii) The Board also engaged the auditor of the Company to report on the Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 (Revised) “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor issued its unqualified letter containing its conclusions in respect of the Continuing Connected Transactions (the “**Auditor Confirmation**”).

In light of the above, we are of the view that the pricing policies of the Securities Transactions are fair and reasonable.

2. Fund Distribution Transactions

With reference to the Board Letter, as one of the leading financial services providers in Hong Kong, the Group provides fund distribution services to fund suppliers (including BOCI-Prudential Asset Management) in its ordinary course of business which includes mandatory provident fund.

The Group promotes and sells various fund products, including guaranteed fund and open-ended fund products, in its capacity as an intermediary or referrer between the fund suppliers and the fund subscribers. The Group receives a commission on the basis of a certain percentage of the subscription fee and the management fee received by such fund suppliers in relation to the funds. All fees and commissions payable by the fund suppliers (including BOCI-Prudential Asset Management) are calculated with reference to the prevailing market rates and the underlying transaction volumes based on an agreed fee schedule, subject to factors including but not limited to (i) changes to market environment; and (ii) the Group’s relationship with individual fund suppliers, and such rates shall be no less favourable to the Group than those entered into with independent third parties and on normal commercial terms.

For our due diligence purpose, we requested the Company to provide, on a random selection basis, and obtained certain copies of previous agreements regarding the Fund Distribution Transactions entered into between the Group and BOCI-Prudential Asset Management which covered each of FY2023, FY2024 and 1H2025, together with copies of previous agreements regarding transactions comparable to the Fund Distribution Transactions entered into between the Group and independent third parties. We noted that the commission fee rates charged by the Group to BOCI-Prudential Asset Management were in line with those charged by the Group to independent third parties for similar type and size of assets under management.

With reference to the Board Letter, the Company has formulated the IC Measures & Policies to ensure that all connected transactions of the Group are properly controlled and monitored.

LETTER FROM GRAM CAPITAL

With reference to the 2024 Annual Report and as confirmed by the Management, the independent non-executive Directors provided the INED Confirmation and the auditor of the Company provided the Auditor Confirmation in respect of, among others, the Continuing Connected Transactions.

In light of the above, we are of the view that the pricing policies of the Fund Distribution Transactions are fair and reasonable.

3. *Insurance Agency and Insurance Referral*

With reference to the Board Letter, the Group provides to BOCG Insurance (a wholly owned subsidiary of BOC) and BOC Life (a connected subsidiary of the Company) insurance agency and insurance referral services and receives commission payments or referral fees in respect of the policies issued or renewed in accordance with the rates set out in the relevant fee schedule of BOCG Insurance and BOC Life, which are applicable to transactions conducted with independent third parties as well as the Group.

The pricing policy and payment terms of the insurance agency services are determined with reference to the insurance agency arrangements and terms with other insurance providers, including the relevant product pricing information in the market, as well as the relevant commission rates. BOCG Insurance and BOC Life may, according to business need, offer sales incentive and client promotion fees to the Group. These incentives are determined with reference to the payment terms and conditions offered by independent third parties to the Group.

In conjunction with the provision of insurance referral services, the Group pays BOC Life service fees calculated as five percent of referral fees received in return for the sales and administration services provided by BOC Life on the relevant policies. The rate of referral fees after deducting the sales and administration service fees is similar to the rate of commission charged by the Group for the provision of insurance agency services with respect to the same insurance products.

Moreover, the Group provides insurance referral services to BOCI Private Wealth Management Limited (a subsidiary of BOCI), and receives a referral fee from BOCI Private Wealth Management Limited for the services provided. The fee rate for the insurance referral services is no less favourable to the Group than the fee rate charged by the Group to independent third parties.

For our due diligence purpose, we requested the Company to provide, on a random selection basis, and obtained (i) certain copies of previous insurance agency agreements entered into between the Group with (a) BOCG Insurance; and (b) BOC Life, together with copies of previous comparable insurance agency agreements entered into between the Group and independent third party insurance companies; (ii) certain copies of previous transaction documents regarding insurance referral services provided the Group to BOC Life, together with certain copies of previous transactions documents regarding the provision of insurance referral services by the Group to independent third parties for the same insurance products; and (iii) certain copies of previous transaction documents regarding insurance referral services provided by the Group to BOCI Private Wealth Management Limited, together with certain copies of transactions documents regarding the provision of insurance referral services by the Group to independent third parties for the same insurance products, which covered each of FY2023, FY2024 and 1H2025. We noted that (i) the commission fee rates for the provision of insurance agency services charged by the Group to BOCG Insurance and BOC Life were no less favourable to the Group than those charged by the Group to independent third party insurance companies; (ii) the referral fees charged by the Group to BOC Life were no less favourable to the Group than those charged by the Group to independent third parties for the same insurance products; and (iii) the referral fees charged by the Group to BOCI Private Wealth Management Limited were no less favourable to the Group than those charged by the Group to independent third parties for the same insurance products.

With reference to the Board Letter, the Company has formulated the IC Measures & Policies to ensure that all connected transactions of the Group are properly controlled and monitored.

With reference to the 2024 Annual Report and as confirmed by the Management, the independent non-executive Directors provided the INED Confirmation and the auditor of the Company provided the Auditor Confirmation in respect of, among others, the Continuing Connected Transactions.

In light of the above, we are of the view that the pricing policies of the Insurance Agency and Insurance Referral are fair and reasonable.

4. *Investment Products Transactions*

With reference to the Board Letter, the Group may enter into investment products transactions during the ordinary and usual course of its business with BOC Group, whereby BOC Group subscribes for investment funds of which the Group acts as the fund manager or the issuer; or the Group subscribes for investment funds of which BOC Group acts as the fund manager or the issuer. These investment funds mainly include open-ended or close-ended public or private funds.

The Group derives a management fee from both retail and institutional subscribers or pays a management fee to BOC Group when it subscribes for funds. The management fee for each investment product may vary depending on, among others, the size and nature of the investment fund, and will be determined based on the market practice and on normal commercial terms or better.

For the subscription and redemption of fund units by investors, the relevant price per fund unit is published and determined by the fund administrator, being BOCI-Prudential Trustee (an indirect non-wholly owned subsidiary of the Company), which is applicable to all investors of the same fund units (including BOC Group, the Group and independent third party investors). The rates of the associated management fee, performance fee and other applicable fees have been set out in a memorandum prepared by BOCI-Prudential Trustee and are no less favourable to the Group than those available to independent third parties.

For our due diligence purpose, we requested the Company to provide, on a random selection basis, and obtained (i) a copy of offering documents/placing memorandum which either the Group or BOC Group acts as fund manager or issuer; and (ii) certain copies of previous transaction documents regarding subscription or redemption of fund units by investors (including the investment products managed or issued by the Group and the BOC Group) which set out the net asset value of the investment products and the price per unit applicable to all investors, covering each of FY2023, FY2024 and 1H2025. We noted that (i) the management fee rates charged by the Group to the BOC Group, or vice versa, were no less favourable to the Group than those charged by either the Group or BOC Group to independent third parties; and (ii) the subscription or redemption price of the fund units were the same among all investors for the same fund units (including BOC Group, the Group and independent third parties).

With reference to the Board Letter, the Company has formulated the IC Measures & Policies to ensure that all connected transactions of the Group are properly controlled and monitored.

With reference to the 2024 Annual Report and as confirmed by the Management, the independent non-executive Directors provided the INED Confirmation and the auditor of the Company provided the Auditor Confirmation in respect of, among others, the Continuing Connected Transactions.

In light of the above, we are of the view that the pricing policies of the Investment Products Transactions are fair and reasonable.

5. *Asset Management and Referral Services*

With reference to the Board Letter, the Group may enter into asset management and related customer referral services transactions during the ordinary and usual course of its business with BOC Group whereby (i) the Group, as an investment manager, is engaged by BOC Group, as the client, for the provision of asset management services for a management fee; and (ii) BOC Group makes client referrals to the Group for the provision of asset management services.

The management fee charged by the Group (subject to review and approval by an internal committee of the Company) is in line with market rates or is no less favourable to the Group than those charged to independent third parties. The management fee is determined based on a number of factors, including but not limited to, the background and creditworthiness of the client and length of business relationship with the Group, and the amount of assets under the Group's management, etc.

For our due diligence purpose, we requested the Company to provide, on a random selection basis, and obtained certain copies of previous asset management agreements entered into by the Group and BOC Group which covered each of FY2023, FY2024 and 1H2025 where the Group acts as investment manager, together with certain copies of previous asset management agreements entered into by the Group and independent third parties which the Group also acts as investment manager. Based on the aforesaid documents, we noted that the management fee rates charged by the Group to the BOC Group were in line with those charged by the Group to independent third parties.

For the customer referrals by BOC Group to the Group in connection with the Group's asset management services, where such client referrals materialise into a new business for the Group, the Group would share a percentage of management fee charged by it with BOC Group in return for its client referrals. The percentage share of management fee with BOC Group is no less favourable to the Group than those available from independent third parties.

For our due diligence purpose, we requested the Company to provide, on a random selection basis, and obtained certain copies of customer referral agreements entered into between the Group with BOC Group which covered each of FY2023, FY2024 and 1H2025, together with certain copies of comparable customer referral agreements entered into between the Group and independent third parties. We noted that the percentage shared to BOC Group was no less favourable to the Group than those shared to the independent third parties.

With reference to the Board Letter, the Company has formulated the IC Measures & Policies to ensure that all connected transactions of the Group are properly controlled and monitored.

With reference to the 2024 Annual Report and as confirmed by the Management, the independent non-executive Directors provided the INED Confirmation and the auditor of the Company provided the Auditor Confirmation in respect of, among others, the Continuing Connected Transactions.

In light of the above, we are of the view that the pricing policies of the Asset Management and Referral Services are fair and reasonable.

6. *Foreign Exchange Transactions*

With reference to the Board Letter, in the ordinary and usual course of its business, the Group enters into foreign exchange transactions with BOC Group. Foreign exchange transactions include spot, forward and swap transactions of foreign exchange and precious metals, exercised currency options and foreign currency bank-note exchange transactions and physical precious metals transactions with BOC. All these transactions are executed on arm's length basis. Such transactions are entered into primarily for the purpose of foreign exchange risk management and in response to customer-driven transactions.

The Group conducts foreign exchange transactions (including non-physical precious metals transactions) with BOC Group in inter-bank market at the prevailing market price in line with normal business practice. For physical precious metals transactions, the fees are determined based on rational market rates with reference to the prevailing precious metal price, transportation costs, relevant security services and other related costs. The Group also enters into foreign exchange business partnership with BOC Group to provide products and financial services to customers by utilising the price advantage of offshore RMB exchange rate. BOCHK provides offshore RMB price quoting services to BOC Mainland branches. On top of BOCHK's price, BOC Mainland branches mark up to their end clients. BOCHK earns from the difference between its trading cost and the price quoted to BOC Mainland branches, whereas BOC Mainland branches earn income from their mark up to end clients based on the quoted price from BOCHK. Income earned by BOC Mainland branches under this business model is retained in Hong Kong and can be transferred to their onshore accounts upon requests. All retained earnings on spot foreign exchange transactions will be transferred back to BOC Mainland branches. For foreign exchange forward transactions under this model, BOCHK keeps part of the retained earnings according to the split percentage set forth in the bilateral agreements between BOCHK and BOC Mainland branches.

The price for the foreign exchange transactions shall be determined based on the market practice, the prevailing respective market conditions, the price of the trade products, and/or various risk management requirements of the Group, and shall be no less favourable to the Group than those available to or from independent third parties for comparable transactions.

For our due diligence purpose, we requested the Company to provide, on a random selection basis, and obtained certain copies of previous agreements of interbank foreign exchange transactions entered into between the Group and BOC Group which covered each of FY2023, FY2024 and 1H2025, together with the internal assessment record for the pricing of such transactions. We noted that (i) the foreign exchange transactions conducted in inter-bank market were executed at the then prevailing market price; or (ii) the percentage of income shared between the Group and BOC Group was in line with market practice and no less favourable than those shared with independent third parties based on the Group's historical transactions with independent third parties.

With reference to the Board Letter, BOCHK has set up the cross-border referral model with BOC Mainland branches on the joint marketing scheme to BOC Mainland branches' clients. Under the model, BOC Mainland branches refer their clients to BOCHK for, including but not limited to, account opening and carrying out foreign exchange transactions. Income generated under this model is the difference between BOCHK's trading cost and the quoted price to the client. Such earning is shared between BOCHK and BOC Mainland branches based on the split percentage bilaterally agreed. The proportion of income attributable to BOC Mainland branches will be retained in Hong Kong and will be transferred to their onshore accounts upon requests.

For our due diligence purpose, we requested the Company to provide, on a random selection basis, and obtained certain copies of previous cross-border customer referral agreements entered into between BOCHK and BOC Mainland branches which covered each of FY2023, FY2024 and 1H2025, together with the internal assessment record for the pricing of such transactions. We noted that the income generated by such services, after deducting the relevant costs incurred by BOCHK, was in line with market practice and no less favourable than those that would be shared with independent third parties based on the Group's historical transactions with independent third parties.

With reference to the Board Letter, the Company has formulated the IC Measures & Policies to ensure that all connected transactions of the Group are properly controlled and monitored.

With reference to the 2024 Annual Report and as confirmed by the Management, the independent non-executive Directors provided the INED Confirmation and the auditor of the Company provided the Auditor Confirmation in respect of, among others, the Continuing Connected Transactions.

In light of the above, we are of the view that the pricing policies of the Foreign Exchange Transactions are fair and reasonable.

7. *Derivatives Transactions*

With reference to the Board Letter, in the ordinary and usual course of the Group's business, the Group enters into over-the-counter and on exchange derivative transactions with clients and counterparties. Derivatives Transactions mainly consist of (but not limited to) foreign exchange, commodity, equity, interest rate and credit derivative products such as interest rate swaps, cross currency interest rate swaps, foreign exchange options, bond options, equity derivatives, credit derivatives, commodities swaps, etc.

All transactions are executed with reference to the prevailing market price. These transactions are all executed on an arm's length basis and on normal commercial terms. Such transactions are entered into for various reasons, including allowing BOC Group to hedge its exposures to an underlying asset class or for the purpose of taking a risk position in relation to that underlying asset class, or meeting the need of their customer-driven business. The price for each transaction shall be determined based on the general financial market practice, the prevailing market conditions and price of the trade products, the price quoted by third parties and/or various risk management requirements of the Group, and shall be no less favourable to the Group than those available to or from independent third parties for comparable transactions.

For our due diligence purpose, we requested the Company to provide, on a random selection basis, and obtained certain copies of previous transaction documents regarding Derivative Transactions entered into between the Group and BOC Group which covered each of FY2023, FY2024 and 1H2025, together with the internal assessment record for the pricing of such transactions, in the case where there was no prevailing market price, certain copies of comparable derivative transactions entered into between the Group and independent third parties. We noted that the Derivative Transactions were conducted in the inter-bank market and were executed at the then prevailing market rates and were no less favourable to the Group as compared to those entered into between the Group and independent third parties.

With reference to the Board Letter, the Company has formulated the IC Measures & Policies to ensure that all connected transactions of the Group are properly controlled and monitored.

With reference to the 2024 Annual Report and as confirmed by the Management, the independent non-executive Directors provided the INED Confirmation and the auditor of the Company provided the Auditor Confirmation in respect of, among others, the Continuing Connected Transactions.

In light of the above, we are of the view that the pricing policies of the Derivatives Transactions are fair and reasonable.

8. *Trading of Financial Assets*

With reference to the Board letter, the Group enters into various transactions with BOC, its branches and affiliated companies, in which BOC, its branches and affiliated companies buy or sell secondary interests in loans from and to the Group. Trading of accounts receivables, forfaiting and other similar types of financial assets are also included in this category.

These transactions are conducted on normal commercial terms with reference to prevailing market rates, and where prevailing market rates are not applicable, the terms of the transactions will be determined with reference to similar transactions entered into with independent third parties, and are entered into for the purpose of risk management of assets and maintaining adequate liquidity level. The risk management unit of the Group monitors and reviews the terms of trading of financial assets to ensure the transactions are executed at prevailing market rates or at rates that are no less favourable than those available to or from independent third parties.

For our due diligence purpose, we requested the Company to provide, on a random selection basis, and obtained certain copies of previous transaction documents (together with the internal review records) regarding the trading of financial assets entered into between the Group and BOC Group which covered each of FY2023, FY2024 and 1H2025, together with certain copies of previous transaction documents for similar transactions entered into between the Group and independent third parties. Based on the aforesaid transaction documents, we noted that the transaction prices for the trading of financial products between the Group and BOC Group were (i) no less favourable to the Group than those between the Group and independent third parties; and (ii) executed at prevailing market rates or were no less favourable than those available to or from independent third parties based on the Group's historical transactions with independent third parties and the quotations obtained from independent third parties.

With reference to the Board Letter, the Company has formulated the IC Measures & Policies to ensure that all connected transactions of the Group are properly controlled and monitored.

With reference to the 2024 Annual Report and as confirmed by the Management, the independent non-executive Directors provided the INED Confirmation and the auditor of the Company provided the Auditor Confirmation in respect of, among others, the Continuing Connected Transactions.

In light of the above, we are of the view that the pricing policies of the Trading of Financial Assets are fair and reasonable.

9. *Inter-bank Capital Markets Transactions*

With reference to the Board Letter, the Group buys and sells debt securities (issued by BOC Group or independent third parties) from and to BOC Group in the primary market and secondary market with reference to prevailing market rates for the Group's own investment or to run its customer-driven business. The Group trades all kinds of fixed income securities (including but not limited to bond, certificate of deposit, commercial paper and structure notes) and repurchase/reverse repurchase with BOC Group. The Group obtains fee/price quotations from other financial institutions including BOC Group. Where prevailing market rates are not applicable, the terms of the transactions will be determined with reference to similar transactions entered into with independent third parties. The control units of the Group will review the transactions to ensure that they are executed at prevailing market rates or at rates that are no less favourable than those available to or from independent third parties.

For our due diligence purpose, we requested the Company to provide, on a random selection basis, and obtained certain copies of previous transaction documents regarding the trading of debt and other securities entered into between the Group and BOC Group which covered each of FY2023, FY2024 and 1H2025, together with the internal assessment record for the pricing of such transactions, in the case where there was no prevailing market price, certain copies of previous transaction documents for similar transactions entered into between the Group and independent third parties. We noted that the transaction prices for the trading of debt and other securities between the Group and BOC Group were conducted in the inter-bank market and were executed at prevailing market price or at price no less favourable than those entered into between the Group and independent third parties.

With reference to the Board Letter, the Company has formulated the IC Measures & Policies to ensure that all connected transactions of the Group are properly controlled and monitored.

With reference to the 2024 Annual Report and as confirmed by the Management, the independent non-executive Directors provided the INED Confirmation and the auditor of the Company provided the Auditor Confirmation in respect of, among others, the Continuing Connected Transactions.

In light of the above, we are of the view that the pricing policies of the Inter-bank Capital Markets Transactions are fair and reasonable.

LETTER FROM GRAM CAPITAL

B. The New Caps

The table below demonstrates (i) the historical amounts of the Continuing Connected Transactions for the two years ended 31 December 2024 and for the eight months ended 31 August 2025 ("8M2025"), together with the existing annual cap(s) for the three years ended 31 December 2025; and (ii) the New Caps:

	For the year ended 31 December 2023 HK\$' million	For the year ended 31 December 2024 HK\$' million	For the eight months ended 31 August 2025 HK\$' million
Historical amounts:			
<i>Investment and Referral Connected Transactions</i>			
– Securities Transactions	161	216	249
– Fund Distribution Transactions	42	43	37
– Insurance Agency and Insurance Referral	2,164	2,693	2,736
– Investment Products Transactions (Note)	371	1,119	3,097
– Asset Management and Referral Services (Note)	102	171	125
<i>Inter-bank Connected Transactions</i>			
– Foreign Exchange Transactions	1,005	1,863	1,348
– Derivative Transactions	87	20	17
– Trading of Financial Assets (Note)	8,431	1,651	3,111
– Inter-bank Capital Markets Transactions (Note)	63,810	157,540	59,029
	For the year ended 31 December 2023 HK\$' million	For the year ended 31 December 2024 HK\$' million	For the year ended 31 December 2025 HK\$' million
Existing annual cap(s):			
<i>Investment and Referral Connected Transactions</i>			
– Securities Transactions	5,000	7,000	10,000
– Fund Distribution Transactions	5,000	7,000	10,000
– Insurance Agency and Insurance Referral	5,000	7,000	10,000
– Investment Products Transactions (Note)	200,000	250,000	350,000
– Asset Management and Referral Services (Note)	5,000	7,000	10,000
<i>Inter-bank Connected Transactions</i>			
– Foreign Exchange Transactions	5,000	7,000	10,000
– Derivative Transactions	5,000	7,000	10,000
– Trading of Financial Assets (Note)	200,000	250,000	350,000
– Inter-bank Capital Markets Transactions (Note)	200,000	250,000	350,000
	For the year ending 31 December 2026 HK\$' million	For the year ending 31 December 2027 HK\$' million	For the year ending 31 December 2028 HK\$' million
New Caps:			
<i>Investment and Referral Connected Transactions</i>			
– Securities Transactions	5,500	7,000	10,000
– Fund Distribution Transactions	5,500	7,000	10,000
– Insurance Agency and Insurance Referral	7,000	9,500	13,000
– Investment Products Transactions (Note)	250,000	300,000	350,000
– Asset Management and Referral Services (Note)	5,500	7,000	10,000
<i>Inter-bank Connected Transactions</i>			
– Foreign Exchange Transactions	5,500	7,000	10,000
– Derivative Transactions	5,500	7,000	10,000
– Trading of Financial Assets (Note)	250,000	300,000	350,000
– Inter-bank Capital Markets Transactions (Note 1)	500,000	600,000	700,000

Note: Amounts paid and received by the Group are not netted for the purposes of calculating the historical amounts and the New Caps.

LETTER FROM GRAM CAPITAL

Utilisation rates for Investment and Referral Connected Transactions (excluding Insurance Agency and Insurance Referral)

According to the above table:

- (i) the utilisation rates of the historical caps for the Investment and Referral Connected Transactions (excluding Insurance Agency and Insurance Referral) ranged from approximately 0.19% to 3.22% for FY2023;
- (ii) the utilisation rates of the historical caps for the Investment and Referral Connected Transactions (excluding Insurance Agency and Insurance Referral) ranged from approximately 0.45% to approximately 3.09% for FY2024; and
- (iii) the historical amounts of the Investment and Referral Connected Transactions (excluding Insurance Agency and Insurance Referral) for 8M2025 represented approximately 0.37% to approximately 2.49% of their existing annual caps for the year ended 31 December 2025.

As advised by the Management, Securities Transactions, Fund Distribution Transactions, Investment Products Transactions and Asset Management and Referral Services are generally initiated by customers or driven by the customers' decisions according to their own portfolio, which are beyond the Group's control and are not possible to anticipate. The low utilisation of the historical caps for the two years ended 31 December 2024 were attributable to (i) the fluctuation in trading turnover of the Hong Kong stock market; (ii) the fluctuation in amount of fund raised in Hong Kong's securities capital market; and (iii) a precautionary buffer was incorporated in the historical/existing cap(s) with the intention to cover any significant and unexpected changes in the global financial market.

Utilisation rates for Insurance Agency and Insurance Referral

With reference to the above table, the utilisation rates of the historical caps for the Insurance Agency and Insurance Referral were approximately 43.28% and 38.47% for FY2023 and FY2024 respectively; and the historical amounts of the Insurance Agency and Insurance Referral for 8M2025 slightly exceeded the historical amounts for FY2024 and represented approximately 27.36% of the existing annual cap for the year ended 31 December 2025. There has been substantial increase in the transaction amounts and the utilisation of the existing annual caps as compared to those for the historical annual caps for the three years ended 31 December 2022. As advised by the Management, such increase in transaction amount was primarily due to the continuous growth of the insurance market and the increasing demand of insurance agency and insurance referral services in recent years.

As noted from the 2024 Annual Report and 2025 Interim Report:

- (i) the Group's insurance revenue increased from approximately HK\$1,897 million for FY2023 to approximately HK\$2,695 million for FY2024, representing a year-on-year increase of approximately 42.07%; while the Group's insurance service result increased from approximately HK\$946 million for FY2023 to approximately HK\$1,751 million, representing a year-on-year increase of approximately 85.10%; and
- (ii) the Group's insurance revenue increased from approximately HK\$1,186 million for 1H2024 to approximately HK\$1,548 million for 1H2025, representing a year-on-year increase of approximately 30.52%; while the Group's insurance service result increased from approximately HK\$671 million for 1H2024 to approximately HK\$1,103 million, representing a year-on-year increase of approximately 64.38%.

The aforesaid indicated the Group's possible increase in Insurance Agency and Insurance Referral. Based on the historical amounts of the Insurance Agency and Insurance Referral of approximately HK\$2,736 million for 8M2025, the annualised amount of the Insurance Agency and Insurance Referral for the year ended 31 December 2025 shall be approximately HK\$4,104 million, which are relatively close to the annual cap for FY2023. Thus, the Company had upward adjusted the proposed annual caps for the three years ending 31 December 2028 to cater for the possible increase in demand for the Insurance Agency and Insurance Referral.

Utilisation rates for Inter-bank Connected Transactions (excluding Inter-bank Capital Markets Transactions)

With reference to the above table:

- (i) the utilisation rates of the historical caps for the Inter-bank Connected Transactions (excluding Inter-bank Capital Markets Transactions) ranged from approximately 1.74% to 20.10% for FY2023;
- (ii) the utilisation rates of the historical caps for the Inter-bank Connected Transactions (excluding Inter-bank Capital Markets Transactions) ranged from approximately 0.29% to approximately 26.61% for FY2024; and

- (iii) the historical amounts of the Inter-bank Connected Transactions (excluding Inter-bank Capital Markets Transactions) for 8M2025 represented approximately 0.17% to 13.48% of their existing annual caps for the financial year ended 31 December 2025.

As advised by the Management, Foreign Exchange Transactions, Derivative Transactions are primarily related to foreign exchange and derivatives trades with customers and with inter-bank counterparties in the foreign exchange and derivatives market, which are subject to a number of factors beyond the Group's control, including (i) international trade exchanges volume; (ii) movement of currencies and interest rates; and (iii) the derived foreign exchange or derivatives income. It is the estimated income calculated from the Group's total income on the same type of product in respect of the proportion of transactions volume with connected persons among the Group's total transaction volume of the same product type. This is a moving factor and highly depends on how BOCHK manages and warehouses the foreign exchange and derivatives risk respectively under the prevailing market conditions. The Group needs to set a buffer to cover any significant and unexpected increase in demand of business flow, manage the Group's risk position effectively in respect of the latest market movement and avoid disruption to the customer business and risk management in case the annual cap is being reached.

Utilisation rates for Inter-bank Capital Markets Transactions

With reference to the above table, the utilisation rates of the existing annual caps for the Inter-bank Capital Markets Transactions were approximately 31.91% and 63.02% for FY2023 and FY2024 respectively; and the historical amounts of the Inter-bank Capital Markets Transactions for 8M2025 represented approximately 16.87% of the existing annual caps for the year ended 31 December 2025. There has been substantial increase in the transaction amounts and the utilisation of the existing annual cap, particularly that for FY2024.

With reference to the Board Letter, the Inter-bank Capital Market Transactions involve offshore RMB bonds, Hong Kong dollar bills and exchange fund notes, of which the Group is one of the market makers in Hong Kong. Accordingly, the Group has an obligation to quote prices upon request by other banks (including the BOC Group) or institutional clients which, the decision of whether to enter into transaction lies with the counterparty. The utilisation rates of the historical caps for Inter-bank Capital Market Transactions for the two years ended 31 December 2024 were higher than the those for other Continuing Connected Transactions, mainly attributable to (1) BOCHK being the offshore RMB bond business center and RMB financing function of BOC Group; (2) the increase in collaboration with BOC Group in supporting their customers' activities; and (3) the increasing market share of BOC Group in cross-border capital project transactions.

Thus, the Company had upward adjusted the proposed annual caps for the three years ending 31 December 2028 to cater for the possible increase in demand for Inter-bank Capital Market Transactions.

Market development in relation to the Investment and Referral Connected Transactions

Based on the statistics published on the Stock Exchange's website, we noted that:

- the daily average trading turnover of the Hong Kong stock market was (i) approximately HK\$128 billion, HK\$103 billion, HK\$98 billion, HK\$91 billion for the first, second, third and fourth quarters of the year 2023, respectively; (ii) approximately HK\$99 billion, HK\$122 billion, HK\$119 billion, HK\$187 billion for the first, second, third and fourth quarters of the year 2024, respectively; and (iii) approximately HK\$243 billion, HK\$238 billion, HK\$286 and HK\$230 billion for the first, second, third and fourth quarters of the year 2025, respectively.
- the amount of equity fund raised in Hong Kong securities market (including initial public offerings) was (i) approximately HK\$156.0 billion for the year 2023, representing a year-on-year decrease of approximately 38.62%; (ii) approximately HK\$190.3 billion for the year 2024, representing a year-on-year increase of approximately 22.02%; and (iii) approximately HK\$641.7 billion for the year 2025, representing a significant year-on-year increase of approximately 237.20%.

The Hong Kong stock market had been fluctuated in recent years, particularly for the year 2025, indicating the possible market demand for the relevant annual caps.

We understood from the Management that the Insurance Agency and Insurance Referral are primarily driven by customers' demand for insurance services, which the Group has no control over the volume and amount. We noted from the statistics published on the Insurance Authority's website that the total gross premium for general insurance business in Hong Kong increased in each of the year 2021, 2022, 2023 and 2024. The total gross premium for general insurance business in Hong Kong increased from approximately HK\$59.9 billion for the year 2020 to approximately HK\$97.8 billion for the year 2024, representing a compound annual growth rate of approximately 13.05%.

In light of the above, it would be unreasonable to scale down the New Caps for the Investment and Referral Connected Transactions solely by virtue of their low utilisation rates.

Market development in relation to the Inter-bank Connected Transactions

According to the statistics as set out in the “Triennial Central Bank Survey of foreign exchange and Over-the-counter (OTC) derivatives markets in 2025” published by the Bank of International Settlements,⁽ⁱ⁾ the trading in over-the-counter foreign exchange markets increased from a daily average of approximately US\$6.6 trillion in April 2019 to approximately US\$7.5 trillion in April 2022, and further increased to approximately US\$9.6 trillion in April 2025; and (ii) the trading in over-the-counter interest rate derivative markets decreased from a daily average of approximately US\$6.4 trillion in April 2019 to approximately US\$5.0 trillion in April 2022, and further increased to approximately US\$7.9 trillion in April 2025. While US dollar remains as the most actively traded currency for the over-the-counter foreign exchange markets; and Euro had surpassed the US dollar in the over-the-counter interest rate derivative markets as the most actively traded currency, Renminbi had continued its upward trajectory in both markets. Trading of RMB-denominated foreign exchange instruments in April 2025 increased by approximately 56% as compared to that in April 2022, reaching 8.5% of the global turnovers of the over-the-counter foreign exchange markets; and the trading of RMB-denominated over-the-counter interest rate derivatives nearly doubled in April 2025 as compared to that in April 2022. Given the aforesaid, it is expected that the demand for US dollar related foreign exchange transactions and over-the-counter interest rate derivative transactions remains active while RMB has shown growth potential in the foreign exchange markets.

With reference to the Board Letter, the Trading of Financial Assets are entered into for the purpose of risk management of assets and to maintain adequate liquidity level. Although the utilisation of the historical/existing cap(s) was low, had the annual cap been exceeded, the Group will be required to seek approval for revision of annual cap, which would cause disruption to the Group’s business and risk management capability as the Group would not be able to conduct trading of financial assets transactions with BOC Group.

Based on our discussion with the Management, we understood that the Inter-bank Connected Transactions are primarily market-driven, the volume and the aggregate value of each of the Inter-bank Connected Transactions vary from time to time and are dependent on external factors such as the fluctuation in the financial markets, economic conditions or changes in government policies/measures, which are not within the control of the Group. As such, it is inherently difficult for the Group to accurately estimate the annual caps. In September 2025, relevant Chinese Mainland financial authorities jointly issued the “Announcement on Further Supporting Overseas Institutional Investors in Conducting Bond Repurchase Business”. Under this policy measure, all overseas institutional investors already investing in the onshore bond market, including Bond Connect investors, will be allowed to participate in the onshore repo business. As also noted from a press release published by the People’s Bank of China on 26 September 2025, in recent years, China has made significant progress in opening up its bond markets. As the investment amount and bond holdings of overseas institutional investor in the market expand, the demand for liquidity management through bond repo business has also risen. As of the end of August 2025, there are a total of 1,170 overseas institutions from 80 countries and regions that have entered China’s bond market, with their holdings totalling to around RMB4 trillion. As a result, the repo business is expected to experience a notable increase in the future.

According to the data published by Bond Connect, the transaction volume of Northbound Bond Connect has increased from approximately RMB8,000 billion in 2022 to approximately RMB10,000 billion in 2024, representing an average year-on-year growth of approximately 12.5%. Furthermore, according to the data published by Shanghai Clearing House, the outstanding custody balance under Southbound Bond Connect increased from approximately RMB364 billion in 2023 to approximately RMB552 billion in 2024, representing a year-on-year growth rate of 51.6%, and further increased to approximately RMB655 billion as at November 2025, which indicates that the market activity under the Southbound Bond Connect has increased significantly. The growth in the bond transaction volume and custody balance of bonds in recent years has demonstrated strong demand in such transaction and led to an upward adjustment of the proposed annual caps for the three years ending 31 December 2028.

In light of the above, it would be unreasonable to scale down the New Caps for the Inter-bank Connected Transactions solely by virtue of their low utilisation rates.

The Group’s business development

As further advised by the Management, the Management has considered the planned expansion and growth potential of the Group’s business, the cooperation activities with BOC Group and the possible introduction of new financial services and products.

With reference to the 2025 Interim Report, during 1H2025, the Group capitalised on BOC Group’s globalised advantages and comprehensive features. It continued to cultivate the local market in Hong Kong and explored potential opportunities among target customers and key businesses. It seized business opportunities in the Greater Bay Area, consolidated its leading position in cross-border business and RMB business, thus supporting the steady and prudent promotion of RMB internationalisation. It actively advanced regional business development in Southeast Asia and continued efforts to improve regional management.

The Group continued to leverage its advantages in cross-border financial services. Taking the New Capital Investment Entrant Scheme and various quality migrant admission schemes as entry points, it provided comprehensive and professional financial services to high-end individuals relocating to Hong Kong. The Group also enriched its cross-border wealth management product suite and launched more qualified investment products to help customers capture cross-border wealth management opportunities. As at 30 June 2025, the number of qualified investment products offered under the Group's Southbound Cross-boundary Wealth Management Connect service exceeded 400, the number of cross-border customers had increased steadily from the end of 2024, and the cumulative number of accounts opened and the volume of funds remitted or transferred under Southbound and Northbound services ranked among the top tier in the Hong Kong market. The Group continued to optimise its cross-border account opening service by driving innovation in customer experience. The Group played an active role in the construction of the offshore RMB market by enriching RMB products and application scenarios.

In terms of corporate banking, the Group strengthened collaboration with BOC's entities in the Chinese Mainland and jointly developed work plans to support key regions to broaden areas of cooperation and enhance collaborative outcomes, with a view to offering financial services that allow customers to access global expertise from any point of contact. It made significant contribution to the field of technology finance by establishing a range of full lifecycle, integrated financial service solutions for technology enterprises, thus empowering their high-quality development. As at 30 June 2025, the number of innovative technology customers grew steadily from the end of 2024.

In its Southeast Asian business, the Group actively aligned with the Chinese Mainland's development paradigm in economic engagement, and captured opportunities arising from industrial relocation. It expanded businesses related to the development of Belt and Road and "Going Global" projects as well as large corporate customers in the region. The Group further optimised its product offering along with the regional service capabilities of its intelligent Global Transaction Banking (iGTB) platform, which in turn strengthened the diversified service capabilities of its Southeast Asian entities. It proactively advanced the development of green finance in Southeast Asia by arranging a green loan for a large corporate in Indonesia, encouraging customers to support new energy transportation and reduce greenhouse gas emissions through various means, and promoting green development across the region as a whole.

With reference to the Board Letter, BOCHK's insurance agency and insurance referral business has witnessed healthy growth in recent years with an average annual growth rate of 48% for the recent three years and is expected to attain continuous growth in the coming three years. Such increase was primarily due to the continuous growth of the insurance market and the increasing demand of insurance agency and insurance referral services in recent years. As disclosed in the 2024 Annual Report and the 2025 Interim Report, the Group's insurance revenue increased (i) from approximately HK\$1,897 million for FY2023 to approximately HK\$2,695 million for FY2024, representing a year-on-year increase of approximately 42.07%, and (ii) from approximately HK\$1,186 million for 1H2024 to approximately HK\$1,548 million for 1H2025, representing a year-on-year increase of approximately 30.52%. The consistent growth and increasing demand for insurance services have led to an upward adjustment of the proposed annual caps for the three years ending 31 December 2028.

In light of the above, the Management expects the Group will continue to grow its international RMB service offering through strengthening its co-operation relationship with BOC Group but, at the same time, is mindful that the unexpected changes in local and global economic conditions would pose uncertainties on the potential business growth of the Group.

Basis of determination

Detailed basis for determining the New Caps is set out under the section headed "REASONS AND BASIS FOR THE ANNUAL CAPS" of the Board Letter.

As aforementioned, the utilisation rates of the historical caps of the Continuing Connected Transactions have been relatively low for the two years ended 31 December 2024. Despite the low utilisation rates, the Management considers it appropriate to set the New Caps to cover any significant and unexpected increase in market activities driven by any unforeseen market conditions and developments. The Management also consider the New Caps would minimise risks associated with business disruptions or suspensions with BOC Group due to the possible breach of the relevant annual caps if they are set at a level significantly below the New Caps.

The Group's key business operation is based in Hong Kong, and its economy and markets can be affected by many external factors including (i) the trend of US interest rates which directly impacts the Hong Kong economy given that Hong Kong dollar is pegged to the US dollar; (ii) the attractiveness of Hong Kong as an international financial centre; and (iii) the economic interaction of Hong Kong and the Chinese Mainland, in particular the Greater Bay Area, the extent of which would influence the Group's business, and in effect the realisation of the possible growth rate and the utilisation of the New Caps.

LETTER FROM GRAM CAPITAL

Despite the aforesaid fluctuation in the Hong Kong securities market as detailed under the sub-section headed “Market development in relation to the Investment and Referral Connected Transactions” above, we noted that the average daily turnover of the Hong Kong stock market was approximately HK\$250 billion for the year ended 31 December 2025, representing a year-on-year increase of approximately 89.51% as compared to that for FY2024. The total fund raised in Hong Kong securities market (including initial public offerings) was approximately HK\$641.7 billion for the year ended 31 December 2025, representing a significant year-on-year increase of approximately 237.20% as compared to that for FY2024.

Furthermore, we noted from the statistics published on Wind Financial Terminal that during the year 2025, the exchange rate of the Hong Kong dollar against the US dollar triggered both the strong-side and weak-side convertibility undertaking on multiple occasions and the Hong Kong Monetary Authority intervened to maintain the exchange rate within the target range of 7.75 to 7.85. The Hong Kong Inter-bank Offered Rate had also experienced significant decline during 1H2025, decreasing from the highest of approximately 4.18% as recorded on 2 January 2025 to the lowest of approximately 0.52% as recorded on 17 June 2025, and rebounded thereafter to the highest of approximately 5.02% as recorded on 30 September 2025.

We also noted from the Company’s announcements dated 11 April 2006 and 28 August 2007 that the relevant annual caps of the Group’s continuing connected transactions were insufficient to cater for the Group’s business needs due to the then volatile and unpredictable market conditions, and as a result the Group had to revise the relevant annual caps.

In light of the above, we consider that the New Caps, which were set in a manner to cater for the Group’s possible business needs, and were set in a manner consistent with those for the three years ending 31 December 2028, to be fair and reasonable.

Shareholders should note that as the New Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of income/cost to be generated/incurred under the Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual income/cost to be generated/incurred under the Continuing Connected Transactions will correspond with the New Caps for the Continuing Connected Transactions.

Having considered the principal terms of the Continuing Connected Transactions as set out above, we are of the view that the terms of the Continuing Connected Transactions (including the New Caps) are on normal commercial terms and are fair and reasonable.

Listing Rules implication

The Management confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the Continuing Connected Transactions must be restricted by the New Caps; (ii) the terms of the Continuing Connected Transactions (including the New Caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors’ annual review on the terms of the Continuing Connected Transactions must be included in the Company’s subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the agreement governing the Continuing Connected Transactions; and (iv) have exceeded the New Caps. In the event that the Continuing Connected Transactions are anticipated to exceed the New Caps, or that there is any proposed material amendment to the terms of the Continuing Connected Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Continuing Connected Transactions and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Continuing Connected Transactions (including the New Caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to be proposed at the AGM to approve the Continuing Connected Transactions (including the New Caps) and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.

APPENDIX GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr GE Haijiao, Mr ZHANG Hui and Mr CAI Zhao, non-executive Directors, are directors of BOC. BOC has an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. BOC is a joint stock commercial bank with limited liability established under the laws of the People's Republic of China, and provides a full range of commercial banking and other financial services through its associates throughout the world. Certain of the Group's operations overlap with and/or are complementary to those of BOC and its associates. To the extent that BOC or its associates compete with the Group, the Directors believe that the Group's interests are adequately protected by good corporate governance practices and the involvement of the independent non-executive Directors.

Further, the Board's mandate also expressly provides that unless permissible under applicable laws or regulations, if a substantial shareholder or a Director has a conflict of interest in the matter to be considered by the Board, the matter shall not be dealt with by way of written resolutions, but a Board meeting attended by independent non-executive Directors who have no material interest in the matter shall be held to deliberate on the same.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates were interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the Directors, the chief executive of the Company and their respective associates had the following interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules:

Associated corporation of the Company:
BOC (H shares)

Name of Director	Number of shares/underlying shares held					Approximate % of the total issued H shares
	Personal interests	Family interests	Corporate interests	Other interests	Total	
SUN Yu	10,000	–	–	–	10,000	0.00% ¹
CHOI Koon Shum	4,000,000	40,000 ²	1,120,000 ³	–	5,160,000	0.01%
FUNG Yuen Mei Anita	550,000	–	–	–	550,000	0.00% ⁴
LIP Sai Wo	201,000	–	–	–	201,000	0.00% ⁵

Notes:

- (1) Such shares held by Mr SUN Yu represent approximately 0.00001% of the total issued H shares of BOC.
- (2) Such shares are held by the spouse of Dr CHOI Koon Shum.
- (3) Dr CHOI Koon Shum is deemed to be interested in the 1,120,000 shares held through Choi Koon Shum Charitable Foundation Limited by virtue of the SFO.
- (4) Such shares held by Madam FUNG Yuen Mei Anita represent approximately 0.0007% of the total issued H shares of BOC.

APPENDIX GENERAL INFORMATION

- (5) Such shares held by Mr LIP Sai Wo represent approximately 0.0002% of the total issued H shares of BOC.

All the interests stated above represented long positions. Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules.

4. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors were materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group; and
- (b) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up), (i) acquired or disposed of by, (ii) leased to, (iii) were proposed to be acquired or disposed of by, or (iv) were proposed to be leased to, any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, with any member of the Group, a service agreement which is not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. EXPERT

The following is the qualification of the expert who has given its opinions or advice, which are contained or referred to in this circular:

Name	Qualification
Gram Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date:

- (a) Gram Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name, in the form and context in which it appears;
- (b) Gram Capital does not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (c) Gram Capital does not have any direct or indirect interest in any assets which had been since 31 December 2024 (the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by, or leased to, any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position of the Company since 31 December 2024, being the date to which the latest published audited financial statements of the Group were made up.

8. MISCELLANEOUS

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

9. DOCUMENTS ON DISPLAY

A copy of the New Services and Relationship Agreement will be available on the HKExnews website of the Hong Kong Exchanges and Clearing Limited (<https://www.hkexnews.hk>) and the website of the Company (<https://www.bochk.com>) from the date of this circular up to and including the date which is 14 days from the date of this circular.