

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, 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 with the accompanying form of proxy to the purchaser or transferee or to the bank or licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



CONNECTED AND DISCLOSEABLE TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to the Company in respect of the Purchase



KPMG Corporate Finance Limited

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



A letter from the Independent Board Committee is set out on page 13 of this circular. A letter from Rothschild to the Independent Board Committee and the Independent Shareholders is set out on pages 14 to 24 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 3:30 pm or immediately after conclusion of the Company's Annual General Meeting to be held on the same day, whichever is later, on 26 May 2006 at Meeting Room 401, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong is set out on pages 29 to 30 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed. If you are unable to attend and vote at the extraordinary general meeting or any adjourned meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company (currently situated at 52nd Floor, Bank of China Tower, 1 Garden Road, Hong Kong) as soon as possible, but in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting should you so wish.

CONTENTS

	<i>Page</i>
DEFINITIONS	2
LETTER FROM THE BOARD	6
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	13
LETTER FROM ROTHSCHILD	14
APPENDIX 1 GENERAL INFORMATION	25
NOTICE OF EXTRAORDINARY GENERAL MEETING	29

DEFINITIONS

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

“2005 Announcement”	an announcement made on 4 January 2005 announcing the types, together with annual caps, of continuing connected transactions with BOC and its associates;
“Announcement”	the announcement of the Company dated 11 April 2006 in relation to the Transactions;
“Articles of Association”	the articles of association of the Company (as adopted, amended or modified from time to time);
“associate(s)”	has the same meaning ascribed to it in the Listing Rules;
“Board”	the Board of Directors of the Company;
“BOC”	Bank of China Limited, a joint stock limited liability company established under the laws of the PRC primarily engaged in commercial banking activities and the indirect holder of approximately 66% of the equity capital in the Company;
“BOC Insurance”	Bank of China Group Insurance Company Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC, the principal activities of which are the offering of general insurance services other than life insurance;
“BOCG Insurance Tower”	BOCG Insurance Tower, 134-136 Des Voeux Road, Central, Hong Kong, Inland Lot No. 4795, which is held under Government Lease for a term of 999 years from 26 June 1843;
“BOC Life”	BOC Group Life Assurance Company Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC Insurance;
“BOC Life Shares”	the 44,268,000 ordinary shares of HK\$10.00 each in the capital of BOC Life to be conditionally purchased by the Company;
“BOC Macau Branch”	the branch of BOC in Macau;
“BOCHK”	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of the Company, and, where appropriate, including its subsidiary banks Nanyang Commercial Bank Limited and Chiyu Banking Corporation Limited;
“BOCI”	BOC International Holdings Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC, the principal activity of which is the offering of investment banking services;
“Business Day”	a day (excluding Saturdays) on which banks are generally open for business in Hong Kong;
“Central SAFE”	Central SAFE Investments Ltd. (previously known as China SAFE Investments Ltd);
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;

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;
“Completion”	completion of the Sale and Purchase Agreement in accordance with its terms;
“Conditions Precedent”	the conditions precedent for Completion under the Sale and Purchase Agreement, details of which are set out in the sub-section entitled “Conditions Precedent” under the section entitled “Acquisition of BOC Life” in the letter from the Board contained in this circular;
“Conditions Fulfilment Date”	the date on which the Conditions are fulfilled (or waived, if appropriate) but in any event no later than 30 September 2006 or such later date as the Company and BOC Insurance may agree in writing;
“Connected Person(s)”	has the meaning as ascribed to it in the Listing Rules;
“Continuing Connected Transactions”	the interbank capital markets transactions described under the heading “Continuing Connected Transactions”;
“Controlling Shareholder”	has the meaning as ascribed to it in the Listing Rules;
“Director(s)”	director(s) of the Company;
“EGM”	an extraordinary general meeting of the Shareholders (other than BOC and its associates) to be held on 26 May 2006 to consider, and if thought fit, approve the Transactions;
“Existing Caps”	the annual caps for interbank capital markets transactions for 2006 and 2007 as announced in the 2005 Announcement;
“Group”	the Company and its subsidiaries;
“HKMA”	the Hong Kong Monetary Authority;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Hong Kong GAAP”	Hong Kong Generally Accepted Accounting Principles;
“Independent Board Committee”	a committee of the Board comprising Mr. Tung Chee Chen (Chairman of the Independent Board Committee), Dr. Fung Victor Kwok King, Mr. Shan Weijian, Mr. Tung Savio Wai-Hok and Mdm. Linda Tsao Yang, all being independent non-executive directors of the Company;
“Independent Shareholders”	shareholders of the Company who do not have any material interest in the Transactions;
“Insurance Companies Ordinance”	the Insurance Companies Ordinance, Chapter 41 of the Laws of Hong Kong;
“KPMG”	KPMG, a Hong Kong Partnership, and the Hong Kong member firm of KPMG International, a Swiss cooperative;

DEFINITIONS

“KPMG Corporate Finance”	KPMG Corporate Finance Limited, a corporation licensed under the SFO to carry out Type 6 regulatory activity (advising on corporate finance);
“Latest Practicable Date”	26 April, 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (and a “Rule” means a rule of the Listing Rules);
“New Annual Cap”	the new annual cap for the year ending 31 December 2008 in respect of interbank capital markets transactions between the Company and BOC and its associates;
“PRC” or “China”	the People’s Republic of China which, for the purposes of this circular only, excludes Taiwan and the special administrative regions of Macau and Hong Kong;
“Purchase”	the proposed purchase of BOC Life Shares and the entering into of the Shareholders’ Agreement;
“Purchase Price”	HK\$900 million, being the purchase price for the BOC Life Shares as set out in the Sale and Purchase Agreement;
“Revised Caps”	the revised annual caps for each of the years ending 31 December 2006 and 31 December 2007 in respect of interbank capital markets transactions between the Company and BOC and its associates;
“Rothschild”	N M Rothschild & Sons (Hong Kong) Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO is the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions;
“Sale and Purchase Agreement”	the Sale and Purchase Agreement entered into on 11 April 2006 pursuant to which the Company will conditionally purchase the BOC Life Shares from BOC Insurance;
“Services and Relationship Agreement”	the Services and Relationship Agreement among, inter alia, the Company and BOC dated 6 July 2002 (as amended and supplemented from time to time);
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“Share(s)”	ordinary shares of par value HK\$5.00 each in the share capital of the Company;
“Shareholders” or “Members”	the shareholders of the Company;
“Shareholders’ Agreement”	the Shareholders’ Agreement, to be entered into on the date of Completion, between the Company and BOC Insurance;
“Stock Exchange”	the Stock Exchange of Hong Kong Limited;

DEFINITIONS

“Subsidiary(ies)”	has the meaning as ascribed to it in the Companies Ordinance;
“Substantial Shareholder”	has the meaning as ascribed to it in the Listing Rules;
“Transactions”	the Purchase and the Continuing Connected Transactions; and
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong.

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 Code: 2388)

Board of Directors:

- * Mr. XIAO Gang (Chairman)
- * Mr. SUN Changji (Vice-chairman)
- Mr. HE Guangbei (Vice-chairman and Chief Executive)
- * Mr. HUA Qingshan
- * Mr. LI Zaohang
- * Mr. ZHOU Zaiqun
- * Mdm. ZHANG Yanling
- ** Dr. FUNG Victor Kwok King
- ** Mr. KOH Beng Seng
- ** Mr. SHAN Weijian
- ** Mr. TUNG Chee Chen
- ** Mr. TUNG Savio Wai-Hok
- ** Mdm. YANG Linda Tsao

* *non-executive directors*

** *independent non-executive directors*

Registered Office:

52nd Floor
Bank of China Tower
1 Garden Road
Hong Kong

2 May 2006

To the Shareholders

Dear Sir or Madam

CONNECTED AND DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the Announcement of the Company dated 11 April 2006 relating to, among other things, the Transactions.

Pursuant to the Sale and Purchase Agreement, the Company will acquire from BOC Insurance 51% of the entire outstanding issued capital of BOC Life for a consideration of HK\$900 million, subject to the terms and conditions of the Sale and Purchase Agreement. The principal business of BOC Life is the provision of life insurance services to customers in Hong Kong. The Purchase will give the Company control of BOC Life and the accounts of BOC Life will be consolidated into the accounts of the Company upon completion of the Purchase.

The obligations of the Company and BOC Insurance are subject to the fulfilment of the Conditions Precedent.

In the ordinary course of its business, the Group conducts certain continuing connected transactions with BOC and its associates that have been disclosed in the 2005 Announcement and annual caps were assigned to these continuing connected transactions for each of the three years ending 31 December 2007. The Company intends to revise the Existing Caps for the two years ending 31 December 2007 and to set a New Annual Cap for the year ending 31 December 2008 in respect of the interbank capital markets transactions with BOC and its associates.

The main purposes of this circular are:

- (a) to provide you with further information on details of the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (b) to provide you with further details of the proposed Revised Caps and New Annual Cap;
- (c) to set out the letter of advice from Rothschild to the Independent Board Committee and the Independent Shareholders; and

LETTER FROM THE BOARD

(d) to provide notice of the EGM to the Shareholders.

An Independent Board Committee, comprising of Mr. Tung Chee Chen (Chairman of the Committee), Dr. Fung Victor Kwok King, Mr. Shan Weijian, Mr. Tung Savio Wai-Hok and Mdm. Linda Tsao Yang, all being independent non-executive directors of the Company, has been formed to advise the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, the proposed Revised Caps and the New Annual Cap. A sixth independent non-executive director, Mr. Koh Beng Seng, was appointed to the Board on 23 March 2006 after the formation of the IBC, and hence is not a member of the Independent Board Committee, which was formed in January 2006. As an independent non-executive director, Mr. Koh will be included in all future independent board committees provided no conflict exists. Rothschild has also been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness regarding the terms of the Transactions.

ACQUISITION OF BOC LIFE

Pursuant to the Sale and Purchase Agreement, dated 11 April 2006, between BOC Insurance as the vendor and the Company as the purchaser, the Company has conditionally agreed to acquire 51% of the entire outstanding issued share capital of BOC Life.

Consideration and payment

The Sale and Purchase Agreement was negotiated and entered into on an arm's length basis and normal commercial terms. The consideration to be paid by the Company to BOC Insurance under the Sale and Purchase Agreement shall be HK\$900 million in cash, to be funded from internal resources of the Company and payable in full at Completion.

Conditions Precedent

The Sale and Purchase Agreement is conditional upon, amongst other things, the following conditions having been fulfilled or waived by the relevant parties if applicable:

- (a) bring-down due diligence being satisfactory to the Company;
- (b) the passing by the Independent Shareholders of resolutions in the EGM approving the Sale and Purchase Agreement and the transactions thereunder;
- (c) the approval of the Insurance Authority of Hong Kong to the Company becoming a controller (as defined in the Insurance Companies Ordinance) of BOC Life;
- (d) BOC Life having assigned BOCG Insurance Tower, which it currently owns, to BOC Insurance at HK\$255,073,613, which is the book value of BOCG Insurance Tower as reflected on the 2005 audited accounts of BOC Life. After retention of the proceeds from the sale there will be no change to the net asset value of BOC Life as a result of the sale;
- (e) all necessary consents having been obtained by BOC Life in respect of reinsurance treaties entered into between BOC Life and certain reinsurers that contain change of control restrictions; and
- (f) the warranties given by BOC Insurance in favour of the Company under the Sale and Purchase Agreement remaining true and accurate in all respects and not misleading in any respect as at Completion.

None of the above conditions have been fulfilled as of the Latest Practicable Date. If the above conditions are not fulfilled on or before 30 September 2006 or such later date as may be agreed between the parties, the Sale and Purchase Agreement will cease to be of any effect save for any antecedent breach. Completion of the Purchase is expected to take place on or soon after 1 June 2006.

Valuation

The Purchase Price of the BOC Life Shares of HK\$900 million has been determined by the Company through arm's length negotiations and on normal commercial terms with reference to the appraisal value of BOC Life as at 31 December 2005 as derived from its unaudited management accounts. The appraisal value, reflecting the value of the business in force, the potential for future business and the net asset value of BOC Life, as of such date was reviewed by KPMG in their capacity as actuarial and accounting advisers to the Company. KPMG issued a report on an estimate of a range of the appraisal valuation of BOC Life by performing a sensitivity analysis based on a range of rates that reflect different levels of risk environment and business conditions. The appraisal value of BOC Life as appraised by KPMG is in the range of HK\$1,200 million to HK\$1,500 million, with best estimate at HK\$1,312 million, equivalent to a range of HK\$612 million to HK\$765 million, with best estimate at HK\$669 million, for the 51% equity stake.

The appraisal valuation is principally based on the unaudited management accounts of BOC Life as at 31 December 2005, as well as the values of in-force and future businesses projected using BOC Life's actuarial model and the assumptions set out in the paragraph below.

LETTER FROM THE BOARD

In estimating the appraisal value in connection with the Purchase, KPMG has among other things considered the following key assumptions:

- 10% growth per year in new business for the next 20 years. The 20 year period is commonly used as a benchmark in similar transactions in Hong Kong and the growth rate was determined on the basis of historical growth rate and the outlook on the stability of the distribution channel of BOC Life. However, the growth rate did not factor in any synergistic effects of the Purchase.
- A 13% and a 15% risk discount rate for in-force business and new business of BOC Life, respectively.
- That 20% of future profits generated from both old and new business of BOC Life would be derived from income from non-taxable investments.
- That future return on investments would be 5% based on the historical investment return of BOC Life and the future outlook of the asset mix, expected return and associated risks.

These assumptions are not in the nature of profit forecasts where Rules 14.61 and 14.62 of the Listing Rules would apply.

Further advice on valuation, including information on market comparables, was provided by KPMG Corporate Finance.

The Company determined the Purchase Price after taking into account the advice of these advisers, valuation of comparable companies and recent comparable transactions in the region, as well as certain commercial benefits offered to the Company by the acquisition of a majority interest in BOC Life, including the opportunity cost of not having to seek another target in a limited market, compatibility with the Company's strategic plan to become a comprehensive financial services group in Hong Kong, familiarity with BOC Life's business and management, and the history of cooperation that will ensure smooth and expeditious integration of BOC Life into the Company's business.

Shareholders' Agreement

Completion of the Purchase will also be conditional on the Company and BOC Insurance entering into the Shareholders' Agreement. The principal terms of the Shareholders' Agreement include the following:

- (a) the Company will be entitled to nominate four of the eight directors including the chairman of the Board who has a casting vote and the Company will thereby be able to control BOC Life;
- (b) the Company will be entitled to nominate senior management of BOC Life and to request that members of senior management be terminated, and to require BOC Insurance to procure its directors ensure that such appointments or terminations are effected;
- (c) BOC Insurance will undertake not to compete with or solicit employees or customers from BOC Life for a period of two years;
- (d) either shareholder will have a right of first refusal on future disposition of shares of BOC Life to third parties;
- (e) the Company will undertake on a best efforts basis to give BOC Life no less than 70% of its life insurance business by value of new business premiums written and will allow BOC Life to station its staff in the branches and wealth management centres of the Company's subsidiary banks subject to applicable law and regulation; and
- (f) BOC Insurance will undertake to use its best endeavours to assist the Company to develop life insurance business in the PRC upon the request of the Company.

Reasons for and benefits of the Purchase

The Company considers this acquisition to be a key component of its long-term strategic business plan to offer comprehensive financial services with full product manufacturing capabilities in commercial banking, insurance, asset management, stock brokerage, and certain investment banking services. Through the acquisition, the Company will obtain a controlling stake in BOC Life and therefore the power to determine the direction of its management. BOC Life will then become an integral part of the Company's group structure. The major benefits of this proposed acquisition are:

- It will diversify the Group's sources of revenue and expand the scope of fee-based business. The addition of insurance revenue would lessen the Group's reliance on pure commercial banking fee income in its non-interest income category.
- It will improve the future profitability of the Group. The Company intends to restructure its sales and marketing efforts for insurance products by using successfully tried bancassurance models and by stationing insurance professionals in bank branches and wealth management centres, all of which is expected to result in much higher sales volume spread over a wider product range.

LETTER FROM THE BOARD

- The alliance with BOC Life will enable the Group to more effectively develop the life insurance business and strengthen the Group's ability in directing future life insurance product development. The latent value of BOCHK's customer base is tangible and can be further exploited. Through customising products for the Group's customers, close cooperation with BOC Life is expected to improve product quality and features, and thereby enhance overall marketing efforts and customer satisfaction.
- The acquisition will strengthen BOCHK's position as a leading financial services group in Hong Kong. The inclusion of life assurance business into the core business of the Group will enhance BOCHK's position in the financial market.
- BOC Life has a history of close cooperation with BOCHK and therefore its products and management are familiar to the Group. Integration would be relatively simple and non-disruptive to the Group's operations. BOC Life has all the relevant licenses and regulatory approvals for conducting life assurance business in Hong Kong.

Information regarding the Group and BOC Insurance

The Group is principally engaged in commercial banking business in Hong Kong. The Group offers a comprehensive range of financial products and services to retail and corporate customers. BOCHK, the Company's principal operating subsidiary, is one of the three bank note issuing banks in Hong Kong. In addition, the Group has 14 branches in China to meet the cross-border banking needs of its Hong Kong and China customers. The Group is the second largest commercial banking group in Hong Kong in terms of assets and customer deposits. The Group's three principal lines of business are retail banking, corporate banking and treasury operations.

BOC Insurance is a company incorporated under the laws of Hong Kong and is principally engaged in the business of underwriting general insurance policies other than life insurance.

Information regarding BOC Life

BOC Life was incorporated in Hong Kong on 12 March 1997. It is wholly owned by BOC Insurance, which will retain a 49% interest after the acquisition. Currently the business of BOC Life is principally offering life insurance policies exclusively in Hong Kong, mainly through the distribution network of insurance agents who are employed by BOCHK. BOC Life is also engaged to a lesser extent in writing life insurance policies linked to investment products and retirement scheme management. Linked insurance policies and retirement scheme management made up approximately 11.63% of the gross premium income of BOC Life written in 2005. In terms of type of premium, single-premium type policies represents the largest portion of BOC Life's business.

Key audited financial data of BOC Life based on Hong Kong GAAP for the last 3 financial years are as follows:

<i>HK\$ million</i>	Year ended 31 December		
	2005	2004	2003
Total assets	9,343	5,968	4,307
Total investment securities	7,890	5,378	3,797
Total shareholders' funds	979	747	331
Gross underwriting income	3,639	2,327	1,549
Net investment income	12	331	226
Total income	3,687	2,660	1,775
Profit before tax	141	94	22
Profit after tax	204	94	22

CONTINUING CONNECTED TRANSACTIONS

The Group conducts a wide range of continuing connected transactions with BOC and its associates in the ordinary and usual course of its business on normal commercial terms. At the time of the listing of the Company on the Stock Exchange, a waiver for the three-year period ending 31 December 2004 was granted with respect to these continuing connected transactions, a condition of such waiver being that some, but not all, continuing connected transactions were subject to an annual cap. Interbank capital markets transactions with BOC and its associates were waived from strict compliance with the Listing Rules at the time of listing with no annual cap. When the waiver expired at the end of 2004, the 2005 Announcement was issued and caps were imposed for all the continuing connected transactions for the three-year period ending 31 December 2007. The annual cap for interbank capital markets transactions for each of the three years ending December 31, 2007 was set at HK\$3,500 million, the maximum amount available without exceeding the relevant thresholds in the Listing Rules that required independent shareholder approval.

LETTER FROM THE BOARD

Interbank capital markets transactions refer to sales and purchases of debt and other securities between the Group and BOC and its associates on issue and in the secondary market. The Group conducts such transactions with reference to prevailing market rates and pursuant to the Services and Relationship Agreement, in which BOC has agreed to, and agreed to procure that its associates, enter into all future arrangements with the Group on an arm's-length basis, on normal commercial terms and at rates no less favourable than those offered to independent third parties.

The Group conducts three types of these transactions as follows:

- *Sale of exchange fund bills and notes issued by HKMA* – BOCHK has been appointed by HKMA as one of the market makers for these securities, and therefore has the obligation to quote a price and trade such bills and notes at the quoted price if so requested by a potential purchaser. The volume of these trades has been very variable, but at times there has been a large volume of exchange fund securities transactions between BOC Macau and BOCHK. In 2005 these trades used up most of the available trading under the cap set out in the 2005 Announcement, thereby preventing the Group from entering into any other interbank capital markets transactions with BOC or its associates including BOC Macau. In contrast, in 2004, BOC Macau purchased no exchange fund bills or notes from BOCHK at all. However, while the volume may be very volatile, BOCHK remains a passive partner in these transactions.
- *Securities transactions* – These primarily take the form of subscription for bonds issued or underwritten by BOCI, or sales or purchases of bonds to or from BOC head office or branches of BOC. Such sales are not frequent and are opportunistic. If an opportunity arises for a favourable transaction, the Group would like to be able to pursue it. No such opportunities arose in 2004, but in 2005 the Group was constrained from doing any of these deals because the exchange fund transactions had used up the cap.
- *Customer bond trading* – The Group has begun to provide bonds to financial institution counterparties, including BOC and its branches, for on-sale to their customers. For risk management reasons or at the request of the counterparty, these transactions may be done on a principal-to-principal basis between BOCHK and BOC, and therefore would be counted under the cap. Such transactions with BOC were restricted in 2005 because of the cap.

Rule 14A.35(1) requires continuing connected transactions to be governed by written agreement(s) for a fixed term of not exceeding three years, except in special circumstances. The Group entered into a supplemental agreement in March 2006 that amends the term of the provisions in the Services and Relationship Agreement that relate to interbank capital markets transactions so that they will expire on 31 December 2008.

Reasons for and benefits of the increased caps

As a result of the following factors that lead to extreme volatility in trading from year to year and unpredictability of the volume of trades in any given year, the proposed caps have been set at the levels set out below:

- As a market maker, BOCHK is in a passive position in conducting sales of exchange fund bills and notes. BOCHK is very concerned that it may be put in a position where it is unable to fulfil its obligations to HKMA to quote a price as a market maker merely because it is constrained by the cap imposed pursuant to the Listing Rules.
- Bond trading for customers of interbank counterparties has only recently commenced. The Company expects to develop this business rapidly through its bank customers, including BOC. Therefore, transaction volumes, although small at the moment, are expected to increase rapidly and substantially.
- Interbank bond transactions are expected to increase significantly with all PRC banks, including branches of BOC, as restrictions on financial transactions in Mainland China ease.

The Revised Caps and New Annual Cap

Accordingly, the Company seeks to establish caps that it believes will be adequate to meet the maximum amount of trades that may be contemplated from 2006 to 2008. The Company intends to set Revised Caps to revise the Existing Caps for the two years ending 31 December 2007 (that are currently both set at HK\$3.5 billion) and to set a New Annual Cap for the year ending 31 December 2008 at HK\$14 billion, HK\$18 billion and HK\$22 billion in 2006, 2007 and 2008 respectively.

The Revised Cap of 2006 is based on the assumption that exchange fund transactions could reach HK\$6.44 billion, interbank bond transactions HK\$5.25 billion, and customer bond trading HK\$2 billion. The Company has allowed for a 20% increase in 2007 and 2008, which it believes to be reasonable. Since the level of uncertainty is higher for 2007 and 2008 than for 2006, the Company has also included a small cushion to allow for the possibility of even faster growth than currently anticipated.

LETTER FROM THE BOARD

The table below sets out the historical value of debt and other securities traded by the Group with BOC and its associates since 2002. In calculating the values for such transactions, purchases and sales are aggregated together.

	Interbank capital markets transactions			
	<i>(HK\$ million)</i>			
	2002	2003	2004	2005
Historical Values	2,869	5,926	0	3,223
Cap	None	None	None	3,500

GENERAL

As at the Latest Practicable Date, BOC indirectly controls approximately 66% of the issued share capital of the Company and is the Controlling Shareholder and therefore a Substantial Shareholder of the Company, and it and each of its associates is a Connected Person of the Company for the purposes of the Listing Rules. The Purchase and the Revised Caps and New Annual Cap are therefore connected transactions of the Company under the Listing Rules that require approval by the Independent Shareholders. BOC and its associates will abstain from voting in the EGM to approve the Purchase and the Revised Caps and New Annual Cap.

Based on the results of the calculations for the applicable percentage ratios as set out under Chapter 14 of the Listing Rules, the Purchase also constitutes a discloseable transaction of the Company under the Listing Rules.

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held on 26 May 2006 at at 3:30 pm or immediately after conclusion of the Company's Annual General Meeting to be held on the same day, whichever is later, or any adjournment thereof is set out on pages 29 to 30 of this circular for the purpose of considering and, if thought fit, passing, among other things, the resolutions in respect of the Purchase, the Revised Caps and the New Annual Cap. A form of proxy for use by the Independent Shareholders at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the registered office of the Company at 52nd Floor, Bank of China Tower, 1 Garden Road, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) and in such event, the relevant forms of proxy shall be deemed to be revoked.

VOTING BY POLL

By virtue of the Listing Rules, the votes for approving the resolutions in respect of the Transactions are required to be taken by way of a poll.

According to the Articles of Association, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (i) the chairman of the meeting;
- (ii) at least three Members present in person (or in the case of a Member being a corporation, by its duly authorised representative) or by proxy and entitled to vote at the meeting;
- (iii) any Member or Members present in person (or in the case of a Member being a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all Members having the right to attend and vote at the meeting; or
- (iv) any Member or Members present in person (or in the case of a Member being a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to or not less than one-tenth of the total sum paid up on all shares conferring that right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands, been carried unanimously or by a particular majority or lost shall be final and conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against such resolution.

Notwithstanding the procedures set out in the Articles of Association, as a good corporate governance practice, the Board has resolved that as a matter of policy, all resolutions put to Shareholders at general meetings will be voted on by poll.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from Rothschild containing its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Purchase, the Revised Caps and the New Annual Cap.

After taking into account the principal factors and reasons considered by Rothschild and its recommendations, the Independent Board Committee is of the opinion that the Purchase, the Revised Caps and the New Annual Cap are in the interests of the Company and its Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of EGM for the approval of the Purchase, the Revised Caps and the New Annual Cap.

ADDITIONAL INFORMATION

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

Yours faithfully,
XIAO Gang
Chairman



中銀香港(控股)有限公司

BOC HONG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2388)

2 May 2006

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED AND DISCLOSEABLE TRANSACTION
AND
CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular dated 2 May 2006 of the Company (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the Independent Board Committee to advise you as to whether, in our opinion, the Purchase and the proposed Revised Caps and the New Annual Cap are in the interests of the Company and its shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Rothschild has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Purchase and the proposed Revised Caps and the New Annual Cap.

We wish to draw your attention to the "Letter from the Board" set out on pages 6 to 12 of the Circular, and the letter from Rothschild to the Independent Board Committee and Independent Shareholders set out on pages 14 to 24 of the Circular which contains its opinion in respect of the Purchase and the proposed Revised Caps and New Annual Cap.

Having taken into account the advice of Rothschild and its recommendation in relation thereto, we consider that the Purchase, the Revised Caps and the New Annual Cap are in the interests of the Company and its Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend that you vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Purchase, the Revised Caps and the New Annual Cap.

Yours faithfully,

Tung Chee Chen

Fung Victor Kwok King

Shan Weijian

Tung Savio Wai-Hok

Yang Linda Tsao

Independent Board Committee

LETTER FROM ROTHSCHILD

The following is the text of a letter prepared by Rothschild in connection with the Purchase, the Revised Caps and the New Annual Cap for the purposes of inclusion in this circular:



2 May 2006

*To the Independent Board Committee
and the Independent Shareholders of
BOC Hong Kong (Holdings) Limited*

Dear Sir or Madam,

CONNECTED AND DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

We refer to the Transactions, details of which are contained in the circular issued by the Company dated 2 May 2006 (the "Circular") of which this letter forms a part. Rothschild has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether or not the terms of the Purchase, the Revised Caps and the New Annual Cap are fair and reasonable and in the interest of the Company and the Shareholders as a whole and to advise Independent Shareholders on how to vote.

The terms used in this letter shall have the same meanings as defined elsewhere in the Circular unless the context otherwise requires.

On 11 April 2006, the Company and BOC Insurance entered into the Sale and Purchase Agreement whereby the Company conditionally agreed to purchase from BOC Insurance the BOC Life Shares (representing 51% of the entire outstanding issued capital of BOC Life) for a cash purchase price of HK\$900 million. Pursuant to the Listing Rules, the Purchase constitutes a connected and discloseable transaction of the Company and accordingly, it is subject to the approval of the Independent Shareholders at the EGM by way of a poll.

In the ordinary course of its business, the Group has conducted certain continuing connected transactions with BOC and its associates that have been disclosed in the 2005 Announcement and annual caps were assigned to these continuing connected transactions for the three years ending 31 December 2007. The Company intends to revise the Existing Caps for the two years ending 31 December 2007 in respect of its interbank capital markets transactions with BOC and its associates, and to set a New Annual Cap for the year ending 31 December 2008. Pursuant to the Listing Rules, the revision and setting of these annual caps is subject to the approval of the Independent Shareholders at the EGM by way of a poll.

BOC (being a Controlling Shareholder of the Company indirectly controlling approximately 65% of the issued share capital of the Company) and its associates will abstain from voting on the ordinary resolutions to approve the Purchase, the Revised Caps and the New Annual Cap at the EGM.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company and have assumed that any representations made to us are true, accurate and complete in all material respects as at the date hereof and that they may be relied upon. We have also assumed that all information, representations and opinions contained or referred to in the Circular, are fair and reasonable and have relied on them.

We have been advised by the Directors that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate, incomplete or misleading. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and confirmed, having made all reasonable enquiries, that, to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. We believe that

N M Rothschild & Sons (Hong Kong) Limited
16th Floor, Alexandra House
16-20 Chater Road, Central
Hong Kong SAR

Telephone: (852) 2525-5333
Fax: (852) 2868-1728
(852) 2810-6997



we have reviewed sufficient information to reach an informed view in order to provide a reasonable basis for our advice. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group or BOC Life or their respective subsidiaries or associated companies.

PRINCIPAL FACTORS AND REASONS

In arriving at our opinion, we have taken into consideration the following principal factors and reasons:

1. The Purchase

(a) *Background and rationale*

The Group is principally engaged in commercial banking business in Hong Kong and offers a comprehensive range of financial products and services to retail and corporate customers. Currently, the Group has three principal lines of business, namely retail banking, corporate banking and treasury operations. We note that the Board's Strategy Development Group (with the participation of the management of BOCHK and representatives from BOC) established last year has mapped out the Group's strategic plan for 2006-2011. A key component of the Group's strategic plan for 2006-2011 is to become a comprehensive financial services group in Hong Kong, with full product manufacturing and distribution capabilities. The Purchase is in line with the Group's strategic plan for 2006-2011 and demonstrates the Company's commitment to the implementation of such plan.

Insurance companies of significant scale in Hong Kong available for acquisition or joint venture cooperation are scarce. In addition, BOCHK has been a distributor of BOC Life's products since its formation and a member of BOCHK's management sits on the board of BOC Life. Therefore, BOCHK is already familiar with BOC Life's products, management and way of doing business. As a result of these factors, we are of the view that the Purchase represents an opportunity for the Company to achieve its strategic vision through an established platform with minimal execution and integration risks.

The Company believes that the Purchase can create synergies that benefit the Group and BOC Life. In particular, it is anticipated that by gaining management control in BOC Life, it would enable the Company to (i) better align the products of BOC Life with BOCHK's customer needs; (ii) enhance marketing of BOC Life's products to penetrate BOCHK's more than two million customers through utilisation of multiple channels, including wealth management centres, independent financial advisers and institutional sales teams, to target different customer segments and (iii) strengthen its wealth management platform by marketing insurance products as part of wealth management services which in turn should further enhance customer satisfaction. In addition, the Purchase should help strengthen the Group's position as a leading financial services group in Hong Kong, further diversify revenue sources of the Group into fee-based revenue and improve the future profitability of the Group.

On the above basis, we believe that the Purchase will complement the Company's development strategy of offering comprehensive and integrated financial services to its customers, thereby diversifying the Group's revenue mix and strengthening the Group's position as a leading financial services group in Hong Kong.

Pursuant to the Shareholders' Agreement (please refer to sub-paragraph (f) below for further details), upon the request of the Company, BOC Insurance shall use its best endeavours to assist BOC Life to develop life insurance business in the PRC. Independent Shareholders should note that our view above has not taken into account such possible partnership with BOC Insurance. Should this opportunity materialise, we believe it would create a promising outlook for BOC Life's future development.



(b) *Assets to be acquired*

The Company has conditionally agreed to purchase the BOC Life Shares. On completion of the Purchase, the Company will be entitled to nominate four of the eight directors of BOC Life, including the chairman of the board of directors of BOC Life who has a casting vote, and will therefore be in a position to control the board and determine the direction of management of BOC Life.

BOC Life, a wholly owned subsidiary of BOC Insurance and therefore an indirect wholly owned subsidiary of BOC, was incorporated in Hong Kong on 12 March 1997. Currently, BOC Life is principally engaged in the offering of life insurance policies exclusively in Hong Kong, mainly through BOCHK's distribution network. In 2005, life and annuity products (which mainly consist of short-term single premium products) accounted for approximately 88% of the gross premium income of BOC Life written in 2005 while investment-linked and long term products made up most of the remaining 12%.

The table below sets out certain key audited financial data of BOC Life based on Hong Kong GAAP for the three years ended 31 December 2005:

<i>HK\$ million</i>	Year ended 31 December		
	2005	2004	2003
Total assets	9,343	5,968	4,307
Total investment securities	7,890	5,378	3,797
Total shareholders' funds	979	747	331
Gross underwriting income	3,639	2,327	1,549
Net investment income	12	331	226
Total income	3,687	2,660	1,775
Profit before tax	141	94	22
Profit after tax	204	94	22

Based on BOC Life's audited accounts, profit before tax improved by a compound annual growth rate of approximately 153.2% during the period 2003 to 2005 on the back of robust growth in life insurance underwriting against favorable interest rate environment. Net profit after tax of BOC Life posted a sharp increase of approximately 117.0% from 2004 to 2005, partly due to improving scale and profitability of life insurance business, but also partly due to the recognition of a deferred tax asset of approximately HK\$63.5 million in 2005. The deferred tax asset was derived from accumulated tax loss carry-forwards resulting from accounting losses in BOC Life's previous years of operation, as well as the non-taxable nature of interest income from banks and certificates of deposits. Shareholders' equity of BOC Life increased by approximately 31.1% to approximately HK\$979 million as at 31 December 2005 due primarily to the HK\$300 million capital injection by BOC Insurance in 2004 and profit contribution in the period between 2003 and 2005.

(c) *The Purchase Price*

The Purchase Price of the BOC Life Shares is HK\$900 million. We noted that the Purchase Price has been determined through arm's length negotiations and based on normal commercial terms with reference to the appraisal value of BOC Life as at 31 December 2005 as derived from its unaudited management accounts. The Purchase Price will be paid in cash from the Company's internal cash resources.

The Purchase Price represents approximately 1.80 times the net asset value of BOC Life as at 31 December 2005, approximately 8.7 times net profit after tax of BOC Life for the year ended 31 December 2005, or 12.5 times adjusted net profit after tax⁽¹⁾ of BOC Life for the year ended 31 December 2005, and approximately 1.35 times the appraisal value based on KPMG's actuarial valuation.

Note:

1. The adjusted net profit after tax of BOC Life for the year ended 31 December 2005 has been calculated by deducting approximately HK\$63.5 million for income tax credit from the net profit after tax of BOC Life for the year ended 31 December 2005.



(d) *Valuation considerations*

The Company has appointed an external actuarial adviser, KPMG, to carry out an appraisal valuation of BOC Life. Appraisal valuation is commonly employed within the insurance industry to estimate the value of a company based on realistic assessment of the current adjusted net asset value, value of in-force business written to date and value of new business potential given current brand and distribution infrastructure. We understand that KPMG was engaged to estimate a range of appraisal values of BOC Life to assist BOCHK in arriving at a valuation of BOC Life. We understand the appraisal value was estimated on a stand-alone basis, without reflecting any synergies between BOCHK and BOC Life following completion of the Purchase. The appraisal value of BOC Life as appraised by KPMG is in the range of HK\$1,200 million to HK\$1,500 million, with best estimate at HK\$1,312 million, equivalent to a range of HK\$612 million to HK\$765 million, with best estimate at HK\$669 million for the 51% equity stake.

We noted that the Company has obtained further advice on valuation, including information on market comparables, from KPMG Corporate Finance.

We have considered, as more fully discussed below: (i) trading multiples of listed companies with similar businesses to BOC Life (the “Comparable Companies”); and (ii) trading multiples from precedent transactions (the “Comparable Transactions”).

We understand the limitation of finding directly comparable listed insurers and precedent transactions involving targets with products and distribution channels largely similar to BOC Life. Nevertheless, we view that the Comparable Companies and Comparable Transactions selected below can be used as reference as they are comparable to BOC Life in terms of industry, market and size.

(i) *Trading multiples of the Comparable Companies*

In assessing the reasonableness of the Purchase Price, we have reviewed the trading multiples such as the price to book multiple (“P/B”) and the price earnings ratio (“PER”) of the Comparable Companies, all being the commonly used multiples for insurance companies. We have not included price to appraisal value multiple (“P/AV”), as appraisal values are usually not publicly available.

In selecting the Comparable Companies, we have taken into account their respective sizes, business activities and market exposures. Given the limited number of listed life insurance companies in Hong Kong, we have also considered listed companies in selected relatively developed Asian markets, including Singapore, Taiwan and Malaysia. The Comparable Companies identified carry on primarily life insurance businesses from which the majority of total operating revenue is derived, and the majority of these companies’ total operating revenue comes from the four Asian markets aforementioned. We have selected Comparable Companies with market capitalisation of less than HK\$5 billion and thus of similar size to BOC Life as primary comparable companies (the “Primary Comparable Companies”) and market capitalisation equal to and higher than HK\$5 billion as secondary comparable companies (the “Secondary Comparable Companies”).



The respective trading multiples of the Comparable Companies (being an exhaustive list based on the selection criteria mentioned above) as at the Latest Practicable Date are summarised in the table below:

	Listing place	Life insurance income ⁽¹⁾ / Total revenue ⁽²⁾ (%)	Market capitalisation ⁽³⁾ (HK\$ million)	P/B (2005) ⁽²⁾ (times)	PER (2005) ⁽²⁾ (times)
51% equity interest of BOC Life (Implied by the Purchase Price)	N/A	100%	N/A	1.80	12.5 ⁽⁴⁾
Primary Comparable Companies (market capitalisation of less than HK\$5 billion)					
Pacific Century Insurance Holdings Limited ⁽⁵⁾	Hong Kong	100%	2,948	1.13	69.4
MAA Holdings Berhad	Malaysia	58%	1,004	1.25	11.6
Manulife Insurance (Malaysia) Berhad	Malaysia	77%	998	1.39	11.7
Taiwan Life Insurance Co. Ltd.	Taiwan	100%	4,719	1.95	11.2
High				1.95	69.4
Median				1.32	11.6
Low				1.13	11.2
Secondary Comparable Companies (market capitalisation equal to and higher than HK\$5 billion)					
Great Eastern Holdings Limited	Singapore	92%	32,125	2.50	17.6
Shin Kong Financial Holding Co. Ltd. ⁽⁶⁾	Taiwan	81%	31,731	2.97	20.2
All Comparable Companies					
High				2.97	69.4
Median				1.67	14.7
Low				1.13	11.2

Source: Bloomberg and annual reports of the Comparable Companies

Notes:

- Life insurance income includes gross premiums and investment income derived from investments funded by policy contributions.
- Revenue from life insurance businesses, total sales, earnings and book value based on latest published audited full year financial statements of the relevant Comparable Company available on the Latest Practicable Date.
- Market capitalisation as at the Latest Practicable Date.
- Based on the adjusted net profit after tax of BOC Life for the year ended 31 December 2005 which has been calculated by deducting approximately HK\$63.5 million for income tax credit. Implied PER of BOC Life based on the Purchase Price is approximately 8.7 times net profit after tax for the year ended 31 December 2005.
- Based on Pacific Century Insurance Holdings Limited's 2005 annual report, the decrease in earnings (and hence the high PER) in 2005 was primarily due to the reclassification of the investment portfolio from "trading" to "available-for-sale" following adoption of HKAS39 (one of the amendments to the Hong Kong Financial Reporting Standards concerning the transition and initial recognition of financial assets and financial liabilities) with effect from 1 January 2005.



6. 2005 annual report is not publicly available as at the Latest Practicable Date. Hence, the P/B and PER are based on financials from 2004 annual report.

The implied PER and P/B ratio of the Purchase are both within the range but towards the higher end of the Primary Comparable Companies.

- (ii) Transaction multiples of the Comparable Transactions⁽¹⁾

We have conducted research and have attempted to identify precedent transactions in the life insurance sector that are similar to the Purchase. From our review of the transactions since 1 January 2004 that relate to the acquisition of companies engaging in the provision of life insurance services in Hong Kong, Singapore, Taiwan and Malaysia, we have identified three transactions that can be considered as Comparable Transactions. The key terms of these Comparable Transactions have been summarised below.

Comparable Transaction 1 – AXA Asia Pacific Holdings Limited’s acquisition of MLC (Hong Kong) Limited and MLC Life Indonesia, PT (February 2006)

AXA Asia Pacific Holdings Limited acquired 100% of MLC (Hong Kong) Limited and MLC Life Indonesia, PT from the National Australia Bank Limited for approximately US\$425.7 million (approximately HK\$3,320.5 million) in February 2006. This represents a PER of approximately 15.9 times (P/B is not available from public sources).

Comparable Transaction 2 – Mayban Fortis Holdings Berhad’s acquisition of MNI Holdings Berhad (August 2005)

Mayban Fortis Holdings Berhad (“Mayban Fortis”) acquired a 74.2% stake in MNI Holdings Berhad (“MNIH”) for RM4.02 (approximately HK\$8.30) per share, equivalent to approximately RM844.4 million (approximately HK\$1,742.5 million) in August 2005. This represents a P/B ratio of approximately 1.06 times and a PER of approximately 13.7 times. (Note: Subsequently, Mayban Fortis announced the offer to acquire the remaining interests in MNIH not already owned by Mayban Fortis for the same price at RM4.02 (approximately HK\$8.30) per share. As the level of Mayban Fortis’ shareholdings in MNIH exceeded 90% of the total issued and paid-up share capital of MNIH, MNIH shares were delisted from the Official List of Bursa Securities in accordance to the Listing Requirements on 3 March 2006.)

Comparable Transaction 3 – Oversea-Chinese Banking Corporation Limited’s acquisition of Great Eastern Holdings Limited (February 2004)

Oversea-Chinese Banking Corporation Limited acquired an additional 32.3% stake in Great Eastern Holdings Limited that it did not already own for approximately US\$1,072.2 million (approximately HK\$8,363.2 million) in February 2004. This represents a P/B of approximately 2.78 times and a PER of approximately 18.0 times. It is worth noting that Great Eastern Holdings Limited is the largest insurance group in Singapore, and also the only listed insurance company on the Singapore Stock Exchange. Hence, it is traded at a higher multiple for its scarcity value.

We chose these three transactions as references because they are reasonably recent transactions in the life insurance sector in relatively developed Asian markets.

The implied PER of the Purchase is lower than that of the three Comparable Transactions cited, while the implied P/B of the Purchase is within the range of those of the three Comparable Transactions cited. As such, we conclude that the consideration of the Purchase is in line with comparable precedent transactions in the sector.

Note:

1. Exchange rate used is based on the announcement date of the relevant Comparable Transactions (source: Bloomberg).



(e) *Effects of the Purchase on the Group*

Following completion of the Purchase, the results of BOC Life will be consolidated into the financial statements of the Group. It is expected that the Purchase will not have an immediate financial impact on the Company. The Purchase will result in a goodwill of HK\$369 million being recognised and will be subject to impairment testing. The Purchase will diversify the Group's sources of revenue and expand the scope of fee-based business.

(f) *Shareholders' Agreement*

Following completion of the Purchase, BOC Life will be owned as to 51% by the Company and 49% by BOC Insurance. The shareholders of BOC Life will enter into a Shareholders' Agreement to regulate their respective rights and obligations towards the operation and management of the business and the affairs of BOC Life on completion of the Purchase. Set out below is a summary of key terms of the Shareholders' Agreement:

- (i) The Company will be entitled to nominate four of the eight directors, including the chairman of the board of directors of BOC Life who has a casting vote, as well as senior management of BOC Life; therefore the Company will be in a position to control the board and determine the direction of management of BOC Life;
- (ii) BOC Insurance will undertake not to compete with the business of BOC Life and not to solicit BOC Life's employees and customers for a period of two years from the date of the Shareholders' Agreement;
- (iii) Either shareholder will have a right of first refusal on future disposition of shares in BOC Life to third parties;
- (iv) The Company will undertake on a best efforts basis to give BOC Life no less than 70% of its life insurance business by value of new business premiums written, and will allow BOC Life to station its staff in the branches and wealth management centres of the Company's subsidiary banks, subject to applicable law and regulation; and
- (v) Upon the request of the Company, BOC Insurance shall use its best endeavours to assist BOC Life to develop life insurance business in the PRC.

Some of the above may constitute connected transactions or continuing connected transactions for BOCHK. We understand that the Company will ensure compliance in accordance with the Listing Rules in this respect.

(g) *Conditions Precedent*

The Sale and Purchase Agreement is conditional upon, amongst other factors, the passing by the Independent Shareholders of a resolution in the EGM approving the Sale and Purchase Agreement and the transactions thereunder. Please refer to the section headed "Conditions Precedent" in the "Letter from the Board" in the Circular for further details of the conditions precedent to the Sale and Purchase Agreement.

On the basis that:

- (a) the Purchase is in line with the Group's strategic plan for 2006-2011 and demonstrates the Company's commitment to the implementation of such plan;
- (b) the Purchase will complement the Company's existing business by providing its customers with comprehensive and integrated services and enabling the Company to better serve its customers and broaden its revenue mix;
- (c) the Purchase will result in a controlling stake in an existing partner with minimal execution and integration risks;
- (d) the terms of the Purchase have been negotiated on an arm's length basis and on normal commercial terms with reference to the appraisal value of BOC Life as at 31 December 2005 as derived from its unaudited management accounts;



(e) the implied PER and P/B ratio of the Purchase are lower or within the range of the Primary Comparable Companies (a PER range of approximately 11.2 times to 69.4 times and a P/B range of approximately 1.13 times to 1.95 times) as well as the Comparable Transactions (a PER range of approximately 13.7 times to 18.0 times and a P/B range of approximately 1.06 times to 2.78 times); and

(f) the Purchase will diversify the Group's sources of revenue and expand the scope of fee-based business,

we consider the terms of the Purchase to be fair and reasonable so far as the Independent Shareholders are concerned.

2. The Continuing Connected Transactions

In the ordinary course of its business, the Group has conducted and is expected to continue to conduct transactions (including interbank capital markets transactions) with BOC and its associates which have constituted and will constitute continuing connected transactions under the Listing Rules. As disclosed in the 2005 Announcement, pursuant to the Services and Relationship Agreement, BOC has agreed to, and agreed to procure its associates to, enter into all future arrangements with the Group on an arm's length basis, on normal commercial terms and at rates no less favourable than those offered to the independent third parties, in relation to certain areas, including, among others, the interbank capital markets transactions, and annual caps were imposed for all the continuing connected transactions for the three years ending 31 December 2007. As disclosed in the 2005 Announcement, the annual cap for the interbank capital markets transactions for each of the three years ending 31 December 2007 was set at HK\$3,500 million, being the maximum amount available without exceeding the relevant thresholds in the Listing Rules that required independent shareholders approval.

Interbank capital markets transactions refers to sales and purchases of debt and other securities (issued by independent third parties and by BOC and its associates) between the Group and BOC and its associates on issue and in the secondary market. The interbank capital markets transactions can be broadly categorised into three areas:

- (a) Sale of exchange fund bills and notes issued by HKMA – As one of the market makers appointed by the HKMA for exchange fund bills and notes issued by the HKMA in Hong Kong, BOCHK is expected to participate actively in the primary market and to promote these papers in the retail market as well as maintaining the liquidity in the secondary market. As such, BOCHK has the obligation to quote price upon requests by other banks (including BOC and its associates and BOC Macau). Once a price is quoted and accepted by the counterparty, BOCHK is obliged to trade at the quoted price and is a passive partner in these transactions. In addition, BOCHK is also a retail exchange fund notes distributor. The volume of these transactions are large and very volatile;
- (b) Securities trading – the Group trades securities with BOCI and BOC to safeguard the liquidity of its proprietary investments. This may take the form of subscription for bonds issued or underwritten by BOCI or sales or purchases of bonds to or from BOC. Such sales are opportunistic; and
- (c) Customer bond trading – The Group has begun to provide bonds to financial institution counterparties, including BOC, for on-sale to their customers. For risk management and other reasons, trades may be done on a principal-to-principal basis, and those through BOC would therefore be deemed to be connected transactions.

After the 2005 Announcement, the Company experienced increased volume of exchange fund bill and note transactions between BOC Macau Branch and BOCHK which was not anticipated at the time when the Existing Caps were determined. The transaction volume of exchange fund bills and notes with BOC Macau Branch increased by more than 30 times from 2002 to 2005. The increase in volume between BOC Macau Branch and BOCHK may be as a result of the current phase of prosperity in Macau. In the first half of 2005, Macau recorded a year-on-year real gross domestic product growth of approximately 8%, and sustainable growth is expected on the back of flourishing tourism and gaming sectors. Total banking assets in Macau also increased by approximately 10.0% from 2003 to 2004, compared to approximately 2.6% from 2002 to 2003.

LETTER FROM ROTHSCHILD



In addition, we note that the bulk of the existing cap for the financial year ended 31 December 2005 represented the aggregate amount of trades on exchange fund bills and notes and, as a result, the Group was constrained from entering into more exchange fund bill and note trades or other capital markets transactions with BOC and its associates in 2005. In addition, the Treasury Department of BOCHK intends to offer retail bond trading services to customers of all domestic and overseas branches of BOC. As some or all of these trades will be done on a principal-to-principal basis through BOC, this will also increase the transaction volume of interbank capital markets transactions.

Given the foregoing, the Company proposes to revise the Existing Caps for the two years ending 31 December 2007, and to set a New Annual Cap for the year ending 31 December 2008, to enable the Group the necessary flexibility to meet the maximum amount of trades that may be contemplated. In this connection, the Group has entered into a supplemental agreement in March 2006 to extend the expiry of the terms of the Services and Relationship Agreement with respect to interbank capital markets transactions to 31 December 2008.

(a) *Consideration*

As mentioned above, interbank capital markets transactions refer to sales and purchases of debt and other securities between the Group and BOC and its associates on issue and in the secondary market. We have reviewed a sample of “off market rate check tables” issued by BOCHK’s Product Control Unit, which is an independent unit under the Treasurer Division of the Finance Department responsible for independent price verification, including off-market rate transactions. The management of the Company has also confirmed that there have not been any off-market rate trades with connected parties. In addition, we have examined the historical market price of a sample of interbank capital markets transactions during the three years ended 31 December 2005 and noted that the trade price was within a small deviation of less than 0.1% from the market price. This deviation is acceptable because there is a timing difference between placement of order and prevailing market price quoted by independent sources. As such, we conclude that the interbank capital markets transactions were carried out on normal commercial terms with reference to prevailing market rates.

(b) *The annual caps*

The table below sets out the aggregate purchase and sale transaction values for the interbank capital markets transactions between the Group and BOC and its associates for each of the four years ended 31 December 2005.

<i>HK\$ million</i>	Year ended 31 December			
	2002	2003	2004	2005
Transaction amount with BOC and its associates	2,869	5,926	0	3,223

The table below sets out the Company’s existing and proposed annual caps in respect of the interbank capital markets transactions between the Group and BOC and its associates for the three years ending 31 December 2008.

<i>HK\$ million</i>	Year ending 31 December		
	2006	2007	2008
Existing Caps	3,500	3,500	N/A
Revised Caps and New Annual Cap	14,000	18,000	22,000

The Revised Cap for the year ending 31 December 2006 is based on the assumptions that exchange fund transactions, interbank bond transactions, and customer bond trading could reach HK\$6.44 billion, HK\$5.25 billion, and HK\$2.0 billion respectively. The Company has allowed for a 20% increase in the total amount of such connected transactions in 2007 and 2008, which it believes to be reasonable. To further account for a higher level of uncertainty in 2007 and 2008, the Company has also included a small cushion to allow for the possibility of even faster growth in the total amount of such connected transactions than currently anticipated.



In assessing the reasonableness of the above revised annual caps, we have reviewed and discussed with the management of the Company the basis upon which such revised annual caps have been determined and noted that such caps have taken into account:

- (i) the anticipated increase in the volume and quantum of the trades of exchange fund bills and notes as a result of growth in business activities, in particular, with BOC Macau Branch, and BOCHK's obligations as a market maker. In this connection, we have compared the volume of exchange fund transactions between the Group and BOC and its associates for the first quarter of 2006 with the volume for the same period in 2005 and noted that the volume had increased by approximately 116.7% which is consistent with the management's anticipation of increasing trade volume. The Company has assumed that the exchange fund transactions could reach HK\$6.44 billion in 2006;
- (ii) the possible increase in securities trading with BOC and its associates as and when opportunities arise. The Group expects trading of securities by PRC corporations to increase as restrictions on financial transactions in Mainland China ease. We understand that such sales are not frequent and are opportunistic in nature. For instance, the Group did not record any securities transactions with its connected persons in 2004 and it was constrained from doing so in 2005 because the Existing Cap was used up by the exchange fund transactions. The Company has assumed interbank bond transactions could reach HK\$5.25 billion in 2006;
- (iii) the expected increase in retail bond trading by customers of all domestic and overseas branches of BOC, some or all of which will be done on a principal-to-principal basis through BOC, as the Company expects to develop this business rapidly. Customer bond trading is a new business started at the end of 2005 but such transactions were restricted in 2005 because the Existing Cap was used up by the exchange fund transactions. The Company has assumed that the customer bond trading transactions could reach HK\$2.0 billion in 2006 on the back of intensive marketing initiatives targeting its customers.

As mentioned above, the bulk of the existing cap for the year ended 31 December 2005 represented the aggregate amount of trades on exchange fund bills and notes and, as a result, the Group was constrained from entering into more exchange fund bill and note trades or other capital markets transactions with BOC and its associates in 2005. The transaction amount with BOC and its associates accounted for less than 0.5% of the total transaction amount of the Group (including trades with independent third parties) for each of the four years ended 31 December 2005. The proposed annual caps account for less than 2% of the total transaction amount of the Group (including trades with independent third parties) in 2005, which in our view remain small when compared to the trade amount with independent third parties. In addition, it should be noted that although the face values of interbank capital markets transactions are large, profit derived from these transactions is relatively small. For instance, profit derived from total interbank capital markets transactions (including trades with independent third parties) in 2005 was less than 0.5% of the total volume of such transactions.

The face amount of a single interbank capital markets trade could be as much as several hundred million Hong Kong dollars and as such, any change in the tenor of the exchange fund bills and notes traded with a connected person or a small change in the number of transactions may affect the amount of trade recorded in any year. For illustrative purpose, if a counterparty purchases an exchange fund bills with a tenor of one month and rolls them over every month for three months, the amount of trade recorded by the Group will be three times the amount if they purchased bills with tenor of three months and the number of transactions will increase from one to three transactions. Independent Shareholders should note that the Group has no influence on the trading preference of the counterparties.



Given (i) BOCHK, as one of the market makers for exchange fund bills and notes in Hong Kong, has the obligation to quote price upon requests by other banks (including BOC and its associates), (ii) the decision of entering into a trade with the Group lies with the counterparty (as in the case of exchange fund bills and notes trading and retail bond trading), (iii) the volatility in trading from year to year, and (iv) the unpredictability and opportunistic nature of the trades in any given year, we believe it is reasonable for the Company to establish annual caps that will provide sufficient flexibility to meet the maximum amount of trades that may be contemplated in the next three years so as not to constrain the Group from doing interbank capital markets transactions within the Existing Caps. Based on the above, we consider the basis and factors that the Company has taken into account in determining the annual caps for the interbank capital markets transactions to be fair and reasonable.

On the basis that (a) the trades will be carried out on normal commercial terms with reference to prevailing market rates; (b) BOCHK is one of the market makers for exchange fund bills and notes and has the obligation to trade such bills and notes at an agreed market price; and (c) the bases used to determine the revised annual caps are reasonable, we consider the Revised Caps and the New Annual Cap to be fair and reasonable.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider the terms of the Purchase to be fair and reasonable and in the interest of the Company and the Shareholders taken as a whole and the Revised Caps and the New Annual Cap to be fair and reasonable and in the interest of the Company and the Shareholders taken as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Purchase, the Revised Caps and the New Annual Cap, as detailed in the notice of EGM set out at the end of the Circular.

Yours very truly,
For and on behalf of
N M Rothschild & Sons (Hong Kong) Limited
Kelvin Chau
Director

APPENDIX 1 GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' (INCLUDING THE CHIEF EXECUTIVE'S) INTERESTS AND SHORT POSITIONS IN SECURITIES

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Interests in underlying shares of the Company through equity derivatives

	Date of grant	Exercisable Period	Number of share options as at Latest Practicable Date
SUN Changji	5 July 2002	25 July 2003 to 4 July 2012	1,590,600
HE Guangbei	5 July 2002	25 July 2003 to 4 July 2012	1,084,500
HUA Qingshan	5 July 2002	25 July 2003 to 4 July 2012	1,446,000
LI Zaohang	5 July 2002	25 July 2003 to 4 July 2012	1,446,000
ZHOU Zaiqun	5 July 2002	25 July 2003 to 4 July 2012	1,446,000
ZHANG Yanling	5 July 2002	25 July 2003 to 4 July 2012	1,446,000

Note: On 5 July 2002, the above Directors were granted options by BOC (BVI), the immediate holding company of the Company, pursuant to a Pre-Listing Share Option Scheme to purchase from BOC (BVI) existing issued shares of the Company at a price of HK\$8.50 per share. These options have a vesting period of four years from 25 July 2002 with a valid exercise period of ten years. Twenty-five percent of the shares subject to such options will vest at the end of each year.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

APPENDIX 1 GENERAL INFORMATION

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at the Latest Practicable Date, so far as known to any Directors or the chief executive of the Company, the following parties (other than the interests disclosed above in respect of certain Directors including the chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

Name	Capacity	Number of Ordinary shares in the Company	Percentage of issued share capital
Central SAFE	Interest of a controlled corporation	6,966,382,084 Notes (1), (2), (4) and (5)	65.89
BOC	Interest of a controlled corporation	6,966,382,084 Notes (2), (4) and (5)	65.89
BOCHKG	Interest of a controlled corporation	6,955,196,375 Note (2)	65.78
BOC (BVI)	Beneficial owner and interest of a controlled corporation	6,955,196,375 Note (3)	65.78

Notes:

- Following the reorganisation of BOC in August 2004, Central SAFE holds a controlling interest in the equity capital of BOC on behalf of the State. Accordingly, for the purpose of the SFO, Central SAFE is deemed to have the same interests in the Company as BOC.
- BOC holds the entire issued share capital of BOCHKG, which in turn holds the entire issued share capital of BOC (BVI). Accordingly, BOC and BOCHKG are deemed to have the same interests in the Company as BOC (BVI) for the purpose of the SFO.
- BOC (BVI) beneficially held 6,954,629,006 shares of the Company. BOC (BVI) also holds 93.64% of the issued share capital of Hua Chiao Commercial Limited which is in members' voluntary winding-up and which had an interest in 567,369 shares of the Company.
- BOC holds the entire issued share capital of BOC Insurance. Accordingly, for the purpose of the SFO, BOC is deemed to have the same interests in the Company as BOC Insurance which had an interest in 5,700,000 shares of the Company.
- BOC holds the entire issued share capital of BOCI, which in turn holds the entire issued share capital of BOCI Financial Products Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCI Financial Products Limited which had an interest in 4,905,709 shares of the Company and an interest in 580,000 shares held under physically settled equity derivatives.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors or the chief executive of the Company, no other person (not being a Director or the chief executive of the Company) who had any interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or held any option in respect of such capital.

4. LITIGATION

The Group is currently being served a number of claims and counterclaims by various independent parties. These claims and counterclaims are in relation to the normal commercial activities of the Group.

No material provision was made against these claims and counterclaims because the directors believe that the Group has meritorious defences against the claimants or the amounts involved in these claims are not expected to be material.

APPENDIX 1 GENERAL INFORMATION

5. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Messrs. Xiao Gang, Hua Qingshan and Li Zaohang are directors of BOC. Mr. Zhou Zaiqun and Mdm. Zhang Yanling are members of the senior management of BOC. BOC is the Company's controlling shareholder, which was re-organised into a joint stock company and changed its name to Bank of China Limited in August 2004. Messrs. Sun Changji, He Guangbei and Zhou Zaiqun and Mdm. Zhang Yanling were directors of BOC prior to its re-organisation.

BOC is a joint stock limited liability commercial bank in the Mainland of China providing 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 provide that unless permissible under applicable laws of 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 manner shall be held to deliberate on the same.

Save as disclosed above, none of the Directors is 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.

6. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2005 (the date to which the latest published audited accounts of the Company were made up), (i) acquired or disposed of by; or (ii) leased to; or (iii) are proposed to be acquired or disposed of by; or (iv) are proposed to be leased to any member of the Group.

7. SERVICE CONTRACTS

No Director offering for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

8. QUALIFICATIONS OF THE EXPERTS

The qualifications of the experts who have been named in this circular or have given advice or opinions contained in this circular are as follows:

Name	Qualification
KPMG	Certified Public Accountants
KPMG Corporate Finance	A corporation licensed under the SFO to carry out Type 6 regulatory activity (advising on corporate finance)
Rothschild	A corporation licensed under the SFO to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

KPMG, KPMG Corporate Finance and Rothschild have given and have not withdrawn their written consent to the issue of this circular with the inclusion herein of their letters or their names in the form and context in which they respectively appear.

KPMG, KPMG Corporate Finance and Rothschild do 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.

KPMG, KPMG Corporate Finance and Rothschild do not have any direct or indirect interests in any assets which have been, since 31 December 2005 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

9. QUALIFIED ACCOUNTANT AND COMPANY SECRETARY OF THE COMPANY

Mr. LEE Raymond Wing Hung, is the Qualified Accountant and Chief Financial Officer of the Company. Mr. Lee is a fellow of the Association of Chartered Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He has over 30 years' extensive international banking experience acquired both locally and overseas.

APPENDIX 1 GENERAL INFORMATION

Mr. YEUNG Jason Chi Wai, the Company Secretary of the Company, is also the Company Secretary of BOC. Mr. Yeung has over 10 years' experience practising corporate and commercial law. Mr. Yeung graduated from The College of Law, United Kingdom and further obtained a bachelor's degree in law from the University of Western Ontario, Canada and a master's degree in business administration from the Richard Ivey School of Business of the University of Western Ontario, Canada.

10. MATERIAL ADVERSE CHANGE

The Directors are not aware of, as at the Latest Practicable Date, any material adverse change in the financial or trading position of the Group since 31 December 2005, being the date to which the latest published audited financial statements of the Group were made up.

11. MISCELLANEOUS

- The registered office of the Company is at 52nd Floor, Bank of China Tower, 1 Garden Road, Hong Kong.
- The share registrar of the Company is Computershare Hong Kong Investor Services Limited of 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- The English text of this circular prevails over the Chinese text in case of any inconsistency.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the registered office of the Company, at 52nd Floor, Bank of China Tower, 1 Garden Road, Hong Kong from the date of this circular up to and including 26 May, 2006.

- (a) the Memorandum and Articles of Association;
- (b) the Sale and Purchase Agreement;
- (c) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 13 of this circular;
- (d) the letter from Rothschild, the text of which is set out on pages 14 to 24 of this circular; and
- (e) the annual report of the Company for the year ended 31 December 2005.

NOTICE OF EXTRAORDINARY GENERAL MEETING



中銀香港(控股)有限公司

BOC HONG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2388)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the Company will be held on Friday, 26 May 2006 at 3:30 p.m. or immediately after conclusion of the Company's Annual General Meeting to be held on the same day, whichever is later, at Meeting Room 401, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong (please use Harbour Road entrance) for the purpose of transacting the following business:

ORDINARY RESOLUTIONS

1. **THAT:**
 - (a) the Sale and Purchase Agreement dated 11 April 2006 and made between the Company and Bank of China Group Insurance Company Limited ("BOC Insurance") (a copy of which has been produced to this meeting marked "A" and initialled by the Chairman of this meeting for the purpose of identification) pursuant to which the Company would, subject to the terms and conditions therein contained, acquire from BOC Insurance 51% of the issued share capital of BOC Group Life Assurance Company Limited for a consideration of HK\$900 million be and is hereby confirmed, approved and ratified;
 - (b) the directors of the Company be and are hereby authorised to take all necessary actions to implement and give effect to the transactions contemplated in the Sale and Purchase Agreement and to do all acts and things and to execute all documents which may in their opinion be necessary or desirable for the purpose of implementing and giving effect to such transactions; and
 - (c) the Shareholders' Agreement to be entered into between the Company and BOC Insurance to regulate the rights and obligations of the shareholders of BOC Life (a copy of the Shareholders' Agreement is produced in the meeting marked "B" and initialled by the Chairman of this meeting for the purpose of identification) together with the transactions contemplated thereunder be and are hereby approved and that the directors of the Company be and are hereby authorised to make changes or amendments to the Shareholders' Agreement as they may in their absolute discretion deem fit.
2. **THAT** the proposed Revised Caps and New Annual Cap, as defined and described in the circular dated 2 May, 2006 to the shareholders of the Company of which these resolutions form part, be and are hereby confirmed, approved and ratified.

By Order of the Board
Jason C.W. Yeung
Company Secretary

Hong Kong, 2 May 2006

Registered Office:
52nd Floor
Bank of China Tower
1 Garden Road
Hong Kong

Notes:

1. According to the requirement of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be voted on by poll and the Controlling Shareholder of the Company will abstain from voting.
2. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or two proxies to attend and vote instead of him/her. A proxy need not be a member of the Company.

NOTICE OF EXTRAORDINARY GENERAL MEETING

3. In order to be valid, the instrument appointing a proxy together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of attorney or authority, should be deposited at the registered office of the Company at least 48 hours before the time fixed for holding the meeting or any adjournment thereof. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the meeting or any adjournment thereof should he/she so wish.
4. The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to attend the meeting convened by this notice, from Thursday, 18 May 2006 to Tuesday, 23 May 2006 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending the meeting convened by this notice, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on Wednesday, 17 May 2006.
5. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding. Accordingly, investors who wish to have joint shareholding in the Company should bear in mind the above provisions when they decide how they wish their shares to be registered.