

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.



中銀香港(控股)有限公司

BOC HONG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(the "Company", Stock Code: 2388)



1917 - 2007

服務香港 共建未來

COMMITTED TO BUILDING A BETTER TOMORROW

CONTINUING CONNECTED TRANSACTION

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 Company's announcements dated January 4, 2005 and April 11, 2006, respectively and annual caps were assigned to these continuing connected transactions.

The Company intends to revise the Existing Cap for the year ending December 31, 2007 in respect of the Securities Transactions with BOCI Securities, an associate of BOC, to the Revised Cap at HK\$1,100 million. Given that the Revised Cap represents less than 2.5% of the applicable percentage ratios as defined in the Listing Rules, the Securities Transactions fall within Rule 14A.34 of the Listing Rules, and are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

The Board has set up the Independent Board Committee comprising all independent non-executive directors of the Company to review and approve the Revised Cap. Although it is not required under the Listing Rules, the Company has retained Commerzbank AG as the independent financial adviser to the Independent Board Committee for the purpose of considering the Revised Cap.

BACKGROUND

BOC indirectly controls approximately 65.77% of the issued shares of the Company and is the controlling shareholder of the Company, and it and each of its associates is a connected person of the Company under the Listing Rules.

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 ended December 31, 2004 was granted with respect to those continuing connected transactions, including among those categories, the Securities Transactions. When the waiver expired at the end of 2004, the 2005 Announcement was issued, the Company assigned annual caps for, among others, the Securities Transactions which were set at HK\$180 million, HK\$220 million and HK\$260 million, respectively, for the three years ending December 31, 2007.

SECURITIES TRANSACTIONS

BOCI Securities, an associate of BOC, is recognized as one of the leading brokerage firms in Hong Kong and ranks among the leading brokerages in terms of trading volume. BOCI Securities provides securities brokerage services to the Group and its customers from time to time in the ordinary and usual course of its business and on normal commercial terms. The Group conducts such transactions 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.

In consideration of the provision of securities brokerage services to the Group and its customers by BOCI Securities, the Group pays a commission, net of a rebate based on a fixed portion of the gross commission, to BOCI Securities. Accordingly, the Company has been receiving rebates from BOCI Securities at a fixed proportion of the gross commission paid to BOCI Securities.

In addition, since 2004, the Group has distributed various securities products issued by BOCI and its associates such as equity linked instruments, structured notes, bonds and other financial products as their agent on the basis of a commission with reference to market rates.

REASON AND BASIS FOR THE REVISED CAP

For the reasons stated below, the Company intends to revise the Existing Cap for the year ending December 31, 2007 in respect of the Securities Transactions with BOCI Securities at the Revised Cap of HK\$1,100 million.

The value of the Securities Transactions for the six months ended June 30, 2007 amounted to approximately HK\$183 million, representing approximately 70.5% of the Existing Cap while the value of Securities Transactions for the six months ended June 30, 2006 amounted to approximately HK\$93 million, representing only 42.3% of the annual cap of HK\$220 million for 2006. Such increase in the value of the Securities Transactions was attributable to the substantial increase in the volume of equities transactions in Hong Kong, which was not anticipated back in nearly three years ago when the Existing Cap was set. Due to the volatile nature of the securities market, it would be difficult for the Company to estimate an appropriate cap for the Securities Transactions. Also, the Company has limited control over the amount of the Securities Transactions which is mainly driven by and correlated with the overall market turnover. Therefore, the Company seeks to establish the Revised Cap that it believes will be adequate to meet the maximum amount of trades that may be contemplated in the second half of 2007.

The table below sets out the historical commissions (net of rebates) and revenues for the Securities Transactions for each of the two financial years ended December 31, 2006 and the six-month period ended June 30, 2007:

	For the year ended December 31, 2005	For the year ended December 31, 2006	For the six months ended June 30, 2007
Historical commissions (net of rebates) and revenues (HK\$ million)	102	196	183
Annual cap (HK\$ million)	180	220	260

LISTING RULES REQUIREMENTS

Given that the Revised Cap represents less than 2.5% of the applicable percentage ratios under the Listing Rules, the Securities Transactions fall within Rule 14A.34 of the Listing Rules, and are subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 and the annual review requirements under Rules 14A.37 and 14A.38 of the Listing Rules.

The Board has set up the Independent Board Committee comprising all independent non-executive directors of the Company, namely, Dr. FUNG Victor Kwok King, Mr. KOH Beng Seng, Mr. SHAN Weijian, Mr. TUNG Chee Chen (chairman of the Independent Board Committee), Mr. TUNG Savio Wai-Hok and Mdm. YANG Linda Tsao, to review and approve the Revised Cap. Although it is not required under the Listing Rules, the Company has retained Commerzbank AG as the independent financial adviser to the Independent Board Committee in this regard. Commerzbank AG has confirmed to the Independent Board Committee that in its opinion the Securities Transactions have been entered into in the ordinary and usual course of the Group's business on normal commercial terms and together with the Revised Cap, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. On the basis of Commerzbank AG's advice and its own review, the Independent Board Committee is also satisfied that the Securities Transactions have been entered into in the ordinary and usual course of the Group's business on normal commercial terms and together with the Revised Cap, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Company was incorporated in Hong Kong on September 12, 2001 to hold the entire equity interest in BOCHK, its principal operating subsidiary. BOC holds a substantial part of its interests in the shares of the Company through BOC Hong Kong (BVI) Limited, an indirect wholly owned subsidiary of BOC.

BOCHK is a leading commercial banking group in Hong Kong. With over 280 branches and about 450 ATMs and other delivery channels in Hong Kong, BOCHK and its subsidiaries offer a comprehensive range of financial products and services to retail and corporate customers. BOCHK is one of the three banknote issuing banks in Hong Kong. In addition, BOCHK and its subsidiaries have 14 branches and sub-branches in the PRC to provide cross-border banking services to customers in Hong Kong and the PRC. BOCHK is appointed by the People's Bank of China as the Clearing Bank for Renminbi (RMB) business in Hong Kong.

The Company began trading on the main board of the Stock Exchange on July 25, 2002, with stock code "2388", ADR OTC Symbol: "BHKLY".

DEFINITIONS

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

“2005 Announcement”	an announcement made on January 4, 2005 announcing the types, together with annual caps, of continuing connected transactions with BOC and its associates, including the Securities Transactions
“associate”	has the meaning ascribed to it in the Listing Rules
“ATM(s)”	automated teller machine(s)
“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 65.77% of the equity capital in the Company
“BOCHK”	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a principal operating subsidiary of the Company
“BOCI”	BOC International Holdings Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC, the principal activity of which is the offering of investment banking services
“BOCI Securities”	BOCI Securities Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOCI
“Commerzbank AG”	Commerzbank AG Hong Kong Branch
“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
“Existing Cap”	annual cap at HK\$260 million for the Securities Transactions for the year ending December 31, 2007 as announced in the 2005 Announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a committee of the board of directors of the Company comprising, all the independent non-executive directors of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (and a “Rule” means a rule of the Listing Rules)

“Macau”	Macau Special Administrative Region of the PRC
“PRC” or “China”	The People’s Republic of China which, for the purposes of this announcement only, excludes Hong Kong, Macau and Taiwan
“Revised Cap”	the revised annual cap at HK\$1,100 million for the Securities Transactions for the year ending December 31, 2007
“Securities Transactions”	the securities transactions described under the section headed “Securities Transactions”
“Services and Relationship Agreement”	the Services and Relationship Agreement among, inter alia, the Company and BOC dated July 6, 2002 (as amended and supplemented from time to time)
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, 28 August 2007

As at the date of this announcement, the Board comprises Mr. XIAO Gang (Chairman), Mr. SUN Changji* (Vice-chairman), Mr. HE Guangbei (Vice-chairman and Chief Executive), Mr. LI Zaohang*, Mr. ZHOU Zaiqun*, Mdm. ZHANG Yanling*, Mr. LEE Raymond Wing Hung, Mr. GAO Yingxin, Dr. FUNG Victor Kwok King**, Mr. KOH Beng Seng**, Mr. SHAN Weijian**, Mr. TUNG Chee Chen**, Mr. TUNG Savio Wai-Hok** and Mdm. YANG Linda Tsao**.*

* *Non-executive Directors*

** *Independent Non-executive directors*