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)

ANNOUNCEMENT

FINANCIAL AND BUSINESS REVIEW FOR THE FIRST QUARTER OF 2008

THIS ANNOUNCEMENT IS MADE BY THE COMPANY PURSUANT TO RULE 13.09 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED

The following description provides certain financial data relating to the performance of the Company in the first quarter of 2008.

Financial Performance

In the three months ended 31 March 2008, the Group's[(1)] operating profit before impairment allowances was HK$5,260 million; net operating income before impairment allowances was HK$7,218 million and operating expenses were HK$1,958 million. The Group registered a year-on-year increase in operating profit before impairment allowances during the quarter.

2008 Q1 compared with 2007 Q1

The Group recorded satisfactory results in the first quarter of 2008 with growth in operating profit before impairment allowances vis-à-vis the same period last year. The increase was primarily driven by the growth in net interest income and net fees and commission income. Improvement in net trading income as well as other operating income also contributed to the increase. Net operating income grew faster than operating expenses, resulting in a lower cost-to-income ratio.

Improvement in net interest income was mainly driven by the increase in average interest-earning assets and the widening of net interest margin. Falling market interest rates since the third quarter of 2007 which resulted in lower funding cost served to increase the spread in the debt securities portfolio. Strong growth in higher yielding loans also contributed to the widening of net interest margin. The growth of net interest margin was partially offset by the decrease in contribution of net free fund. The growth of net fees and commission income was driven by the increase in fee income from stock brokerage and the sale of structured notes. Fees from the credit card business also increased. Net trading income grew as a result of increased income from foreign exchange activities which were mainly customer-generated business. The increase in operating expenses was largely due to higher staff costs, resulting from pay rise and staff recruitment for business expansion, investment in IT systems and improvement in business volume. The Group recorded a modest level of net charge of loan impairment allowances.

2008 Q1 compared with 2007 Q4

When compared to the previous quarter, the Group recorded a drop in operating profit before impairment allowances in the first quarter of 2008 primarily due to the decrease in both net interest income and net fees and commission income. Net trading income also decreased mainly because of marked-to-market changes of swap contracts and a foreign exchange loss recorded by Nanyang Commercial Bank (China), Limited arising from the revaluation of its Hong Kong dollar capital funds against the appreciated renminbi during the course of approval by State Administration of Foreign Exchange of China for conversion into renminbi. Meanwhile, total operating expenses decreased from the fourth quarter of 2007 when higher IT costs and staff costs had been incurred. The Group's cost-to-income ratio was maintained at a low level.

The decline in net interest income was mainly caused by the decrease in the Group's average interest-earning assets as IPO activities significantly reduced in the first quarter of the year leading to a reduction in IPO-related funds. The decrease in net interest income was also attributable to a decline in free fund contribution as interest rates assumed a downward trend. Net interest margin dropped from the last quarter but was still higher than the average of full year 2007. Net fees and commission income was adversely affected by the decline in fee income from stock brokerage and sales of funds following the slowdown in local stock transactions after an exceptionally strong fourth quarter last year.

Financial Position

The Group's balance sheet remained healthy. Total assets as of 31 March 2008 increased marginally from the end of 2007. Customer deposits decreased as customers switched their funds to other higher yielding instruments under the low interest rate environment. Total advances to customers continued to grow on the back of the momentum built up from last year. Classified or impaired loan ratio further improved. Capital adequacy ratio of the banking group was further lowered at the end of March 2008 due to consumption of capital by organic growth but remained at a healthy level.

Business Review

Personal banking continued to make good progress in its business growth and development. Compared to the same period last year, the investment and insurance businesses registered year-on-year growth and contributed significantly to the rise in the Group's earnings. Higher market turnover together with the Group's continuous effort in enhancing its stock trading platform and services helped boost the business volume of stock broking and related commission income. Sales of structured notes increased after the launch of private placement service in March last year. In addition, the Group continued to grow its mortgage business solidly and maintained its leading position in the underwriting of new mortgages. In respect of the credit card business, card-related fee income continued to increase with the growth in cardholder spending volume.

Corporate banking recorded good results in the first quarter with a broad-based growth in total corporate loans compared to end-2007. Growth momentum was also sustained in high-yielding loan segments such as SME loans, trade finance and Mainland lending. The Bank[(2)] has recently been appointed by its parent company, Bank of China ("BOC"), as its Asia-Pacific Loan Syndication Centre to help solidify BOC Group's leading position in loan syndication in the Asia-Pacific region. This significant appointment gives the Bank an added advantage in extending its reach to markets in the Asia-Pacific region outside Hong Kong and Mainland China. Meanwhile, the Group and BOC have been appointed by one of the largest joint venture investment banks in the Mainland as the respective foreign and domestic custodian for its first Qualified Domestic Institutional Investor ("QDII") product which was the first broker-type QDII ever approved in the Mainland.

In respect of its **treasury segment**, the Group has been actively developing structured products for both corporate and retail customers. In response to a volatile foreign exchange and stock market, currency linked structure deposits have been offered to major corporate customers. As for retail customers, the Group continued to widen its product structures and varieties by introducing its first equity-linked investment products under its own brand. At the same time, the Group continued to monitor and manage its asset and liability structure proactively by adopting appropriate investment strategies to improve returns on surplus funds. At 31 March 2008, the carrying value of the Group's US subprime asset-backed securities was significantly reduced to HK$2.0 billion from HK$4.1 billion at the end of last year, while that of the Alt-A securities was reduced to HK$5.8 billion from HK$6.6 billion at the end of last year. The Group recorded a net charge of impairment allowances of HK$555 million for the period against its US asset-backed securities.

The Group's **insurance segment** registered a strong growth in net insurance premium income against the same quarter last year. The increase in net insurance premium income was attributable to a broad-based growth in premium income from single premium products as well as long-term regular pay products and investment-linked plans. However, net operating income declined year-on-year mainly due to increase in its liabilities for prospective insurance contract benefits payments caused by changes in market interest rates and higher sales volume in single premium endowment products. Meanwhile, the Group continued to invest in staff training with a view to broadening the professional knowledge and enhancing the sales techniques of its sales and wealth management staff.

Remark:

(1) "The Group" refers to BOC Hong Kong (Holdings) Limited and its subsidiaries.

(2) "The Bank" refers to Bank of China (Hong Kong) Limited, a wholly owned subsidiary of the Company.

GENERAL

This announcement may contain forward-looking statements that involve risks and uncertainties. The Company's shareholders and potential investors should not place undue reliance on these forward-looking statements, which reflect our belief only as of the date of these statements. These forward-looking statements are based on the Group's own information and on information from other sources we believe to be reliable. The Group's actual results may be materially less favourable than those expressed or implied by these forward-looking statements, which could depress the market price of the Company's American Depositary Shares and local shares.

The attention of investors is also drawn to the announcement issued by Bank of China Limited ("BOC") (Stock Code: 3988) on 28 April 2008 in which BOC presents its unaudited quarterly results. The Company is owned as to 65.77% by BOC, and therefore its financial data has been consolidated into the data presented by BOC. The said announcement can be downloaded from BOC's website at www.boc.cn and from the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. Investors are warned not to make any conclusions about the performance of the Company from the announcement issued by BOC.

The Company's shareholders and potential investors should note that **all the figures contained herein are unaudited. Accordingly, figures and discussions contained in this Announcement should in no way be regarded as to provide any indication or assurance on the financial results of the Group for the period ended 31 March 2008.**

The Company's shareholders and potential investors are urged to exercise caution in dealing in the securities of the Company and are recommended to consult their own professional advisers if they are in doubt as to their investment positions.

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

Hong Kong, 28 April 2008

As at the date hereof, the board of directors of the Company 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*