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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

AGREEMENT BETWEEN THE BOCHK GROUP, THE SFC, THE HKMA AND THE DISTRIBUTING BANKS TO REPURCHASE MINIBONDS

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to announce that on 22 July 2009, the Bank of China (Hong Kong) Group (comprising Bank of China (Hong Kong) Limited, Nanyang Commercial Bank Limited and Chiyu Banking Corporation Limited) (the “**BOCHK Group**”) has, without admission of any liability, reached an agreement with the SFC, the HKMA and thirteen other Distributing Banks to make an offer to Eligible Customers to repurchase their holdings in Outstanding Minibonds subscribed through the BOCHK Group.

Under the Repurchase Scheme, the BOCHK Group will, without admission of liability, make an offer to repurchase from each Eligible Customer all Outstanding Minibonds at a price equivalent to 60% of the nominal value of the principal invested for Eligible Customers below the age of 65 as at 1 July 2009 or at 70% of the nominal value of the principal invested for Eligible Customers aged 65 or above as at 1 July 2009. The acceptance of the offer by Eligible Customers will result in the release of claims such Eligible Customers may have against the BOCHK Group, and any past or present director, officer or employee of the BOCHK Group, in relation to the sale, purchase, holding or liquidation of the Minibonds.

Under the Agreement, the BOCHK Group will set aside approximately HK\$160 million which is equivalent to the amount of commission income received as distributors of Minibonds to a fund which may be drawn down by the Trustee for the purposes of enforcing the collateral in respect of each series of Outstanding Minibonds pursuant to the Expenses Funding Agreement. The BOCHK Group has agreed that it will not have any claim to the return of this money to the extent that it is utilised by the Trustee.

If any recovery is made from the enforcement of the collateral held in respect of a series, the BOCHK Group will make further payments (net of Trustee charges and expenses) to Eligible Customers who have accepted the Repurchase Scheme in accordance with the following:

For Eligible Customers below the age of 65 as at 1 July 2009:

- (i) the actual amount recovered if the percentage of the recovery for that series of Minibonds is less than 10% of the total principal amount of that series;
- (ii) 10% of the principal amount, if the percentage of recovery for that series is between 10% and 70% of the total principal amount of that series; or
- (iii) the amount in excess of 60% of the principal amount, if the percentage of recovery for that series exceeds 70% of the total principal amount of that series;

For Eligible Customers aged 65 or above as at 1 July 2009:

- (iv) the amount in excess of 70% of the principal amount, if the percentage of recovery for that series exceeds 70% of the total principal amount of that series.

The BOCHK Group will also make a voluntary offer to pay an *ex gratia* amount to customers who would have qualified as an Eligible Customer but have entered into settlement agreements with the BOCHK Group on terms which are financially less favourable than the Repurchase Scheme. This “top-up” exercise will bring these customers in line with the Eligible Customers who accepted the Repurchase Scheme offer.

The BOCHK Group estimates that, in addition to the amount that has been paid or committed to be paid in cases settled or to be settled through its complaints handling process, it will have to pay out a further sum of approximately HK\$3,108 million under the Repurchase Scheme and top-up payments to customers who have previously settled with the BOCHK Group. In light of the Agreement, and in particular the offer to repurchase Minibonds from Eligible Customers, the Company will need to make additional provisions in accordance with its accounting policies taking into account the amount paid and payable, the aggregate of which is estimated to be HK\$3,626 million, the provision of HK\$675 million already made in the year ended 31 December 2008 and the net amount which is recoverable from the Minibonds. It is uncertain at this point in time whether the BOCHK Group will receive any recoveries from the collateral of the Minibonds.

The Agreement constitutes full and final settlement and conclusion of all reviews, investigations, disciplinary or enforcement proceedings (whether administrative, civil or criminal) commenced, conducted or intimated by the SFC relating to the distribution of Minibonds by the BOCHK Group (amongst others). On the basis of the information they currently have, the SFC has agreed not to take any disciplinary or enforcement action against the BOCHK Group and any past or present director, officer or employee of the BOCHK Group, in respect of any conduct relating to the distribution of Minibonds. Moreover, the HKMA does not intend to take any disciplinary or enforcement action in relation to the complaint of any Eligible Customer who accepts the BOCHK Group’s repurchase offer under the Agreement.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

Definitions

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

“Agreement”	The Agreement between the BOCHK Group, the SFC, the HKMA and the Distributing Banks dated 22 July 2009 pursuant to section 201 of the SFO
“Board”	BOC Hong Kong (Holdings) Limited’s Board of Directors
“Code of Conduct”	The Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission issued by the SFC pursuant to section 399 of the SFO
“Distributing Banks”	ABN AMRO Bank N.V., Bank of Communications Co Ltd, The Bank of East Asia, Limited, Chong Hing Bank Ltd, CITIC Ka Wah Bank Ltd, Dah Sing Bank Ltd, Fubon Bank (Hong Kong) Ltd, Industrial and Commercial Bank of China (Asia) Ltd, Mevas Bank Ltd, Public Bank (Hong Kong) Ltd, Shanghai Commercial Bank Ltd, Wing Hang Bank Ltd and Wing Lung Bank Ltd
“Eligible Customers”	Persons who, through the BOCHK Group, purchased Outstanding Minibonds as part of a primary offering and with open positions in such Outstanding Minibonds, except those who (i) have, in the three years preceding their first purchase of Minibonds, executed five or more transactions in Leveraged Products, Structured Products or a combination of these products; (ii) are non-individuals, meaning those who hold an account with the BOCHK Group in the name of an entity incorporated or formed in Hong Kong or elsewhere, excluding sole proprietorship and exempt charitable bodies under section 88 of the Inland Revenue Ordinance (Cap. 112) and not-for-profit organizations whose assets are not managed by an SFC licensed fund manager; (iii) are professional investors falling under paragraph (a) to (i) of the definition of “professional investor” in Part 1 of Schedule 1 to the SFO; (iv) are professional investors under section 3 of the Securities and Futures (Professional Investor) Rules (Cap. 571D) and classified by the BOCHK Group and agreed by the customers to be treated as such in accordance with paragraphs 15.3 and 15.4 of the Code of Conduct at the time they purchased the Minibonds; or (v) have previously settled their claims in relation to the distribution of Minibonds with the BOCHK Group
“Expenses Funding Agreement”	The agreement to be entered into between the Trustee, the BOCHK Group and the Distributing Banks in relation to the recovery of the Minibonds collateral
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HKMA”	The Monetary Authority appointed under section 5A(1) of the Exchange Fund Ordinance (Chapter 66 of the Laws of Hong Kong SAR)
“Leveraged Product”	Any unlisted securities which involves any method by which an investor increases his or her exposure to a particular market, risk or asset class, whether through borrowing of cash, through the use of derivatives or by any other means
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Minibonds”	All retail structured notes issued under the “Secured Continuously Offered Note Programme” of Pacific International Finance Limited, commonly known as Lehman Brothers Minibonds
“Outstanding Minibonds”	The following series of Minibonds: series 5, series 6, series 7, series 9, series 10, series 11, series 12, series 15, series 16, series 17, series 18, series 19, series 20, series 21, series 22, series 23, series 25, series 26, series 27, series 28, series 29, series 30, series 31, series 32, series 33, series 34, series 35, series 36
“Repurchase Scheme”	The scheme to repurchase Outstanding Minibonds from Eligible Customers offered by the BOCHK Group pursuant to the Agreement
“SFC”	The Securities and Futures Commission
“SFO”	The Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong SAR
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Product”	means a derivative or other product which is structured in the form of a debenture, security or deposit and which contains, references, or is based on, a derivative or a derivative strategy. The definition comprises: (i) credit-linked notes or credit-linked instruments, (ii) equity-linked notes, deposits or instruments and (iii) private placement notes, provided that, however, Structured Products do not include any principal-protected product or listed securities
“Trustee”	HSBC Bank USA, National Association

This announcement is made pursuant to Rule 13.09 of the Listing Rules.

The collapse of Lehman Brothers Holdings Inc. has led to significant losses by investors who purchased Minibonds and has been a matter of considerable public concern. The SFC and the HKMA have devoted considerable efforts to investigating the matter and working with the BOCHK Group to identify a solution which addresses, in a principled and balanced way, the interests and concerns of customers, the BOCHK Group, the banking industry and the investing public of Hong Kong.

The BOCHK Group, along with the Distributing Banks, has agreed with the SFC and the HKMA without admission of any liability that:

- (1) for Eligible Customers below the age of 65 as at 1 July 2009, the BOCHK Group will offer to repurchase their Outstanding Minibonds at a price equivalent to 60% of the nominal value of the principal invested;
- (2) for Eligible Customers aged 65 or above as at 1 July 2009, the BOCHK Group will offer to repurchase their Outstanding Minibonds at a price equivalent to 70% of the nominal value of the principal invested;
- (3) the BOCHK Group will set aside approximately HK\$160 million which is equivalent to the amount of commission income received as distributors of Minibonds to a fund which may be drawn down by the Trustee for the purposes of enforcing the collateral in respect of each Outstanding Minibond series;
- (4) in the event that any recovery is made from the enforcement of the collateral of a series, the BOCHK Group will make further payments (net of Trustee charges and expenses) to Eligible Customers who have accepted the repurchase offer in accordance with the following:

For Eligible Customers below the age of 65 as at 1 July 2009:

- (a) the actual amount recovered if the percentage of the recovery for that series of Minibonds is less than 10% of the total principal amount of that series;
- (b) 10% of the principal amount, if the percentage of recovery for that series is between 10% and 70% of the total principal amount of that series; or
- (c) the amount in excess of 60% of the principal amount, if the percentage of recovery for that series exceeds 70% of the total principal amount of that series;

For Eligible Customers aged 65 or above as at 1 July 2009:

- (d) the amount in excess of 70% of the principal amount, if the percentage of recovery for that series exceeds 70% of the total principal amount of that series.

The BOCHK Group will also make a voluntary offer to pay the following amounts to customers who would have qualified as an Eligible Customer but have entered into settlement agreements with the BOCHK Group on terms which are financially less favourable than the Repurchase Scheme:

- (5) For customers below the age of 65 as at 1 July 2009 and the settlement amount is below 60% of the principal invested:
 - (a) the difference between 60% of the principal invested and the total settlement amount to be paid by 22 September 2009, plus
 - (b) any further payment after realization of the collateral in the manner set out in paragraph (4)(a), (b) or (c) (as applicable) above; or
- (6) For aged 65 or above as at 1 July 2009 (irrespective of whether they hold the Minibonds jointly with customers under the age of 65) and the settlement amount is below 70% of the principal invested:
 - (a) the difference between the 70% of the principal invested and the total settlement amount to be paid by 22 September 2009, plus
 - (b) any further payment after realization of the collateral in the manner set out in paragraph (4)(d) above; or
- (7) For customers:
 - (a) below the age of 65 as at 1 July 2009 and the settlement amount was 60% of the principal invested or above; or
 - (b) aged 65 or above as at 1 July 2009 (irrespective of whether they hold the Minibonds jointly with customers under the age of 65) and the settlement amount was 70% of the principal invested or above,

any amount realized from the collateral in accordance with paragraphs (4)(a), (b), (c) or (d) (as applicable) above in excess of the total amount received or will be received under the previous settlement.

Further details of the Repurchase Scheme and top-up payments for customers who have previously settled with the BOCHK Group will be set out on the website of the Bank of China (Hong Kong) Limited and in letters to be sent by the BOCHK Group to customers. The BOCHK Group has also set up three hotlines at 2105 8212 (Bank of China (Hong Kong) Limited), 2105 8243 (Nanyang Commercial Bank Limited and 2105 8239 (Chiyu Banking Corporation Limited) to answer enquiries from customers.

The complete text of the announcement by the SFC, the HKMA and the BOCHK Group and the other banks in relation to the Agreement is set out at the end of this announcement.

As of 20 July 2009, the BOCHK Group has, through its complaints handling process, already settled or is in the course of settling with 2,591 customers, and a total of HK\$518 million has been paid or committed to be paid.

The BOCHK Group estimates that, in addition to the amount that has been paid or committed to be paid in cases settled or to be settled through its complaints handling process, it will have to pay out a further sum of approximately HK\$3,108 million under the Repurchase Scheme and top-up payments to customers who have previously settled with the BOCHK Group. In light of the Agreement, and in particular the offer to repurchase Minibonds from Eligible Customers, the Company will need to make additional provisions in accordance with its accounting policies taking into account the amount paid and payable, the aggregate of which is estimated to be HK\$3,626 million, the provision of HK\$675 million already made in the year ended 31 December 2008 and the net amount which is recoverable from the Minibonds. It is uncertain at this point in time whether the BOCHK Group will receive any recoveries from the collateral of the Minibonds.

The BOCHK Group is committed to maintaining and upholding high standards of corporate governance to protect the interests of customers, shareholders and employees. The BOCHK Group cherishes the long term relationship with its customers and one of its key missions is to provide professional service to meet customers' needs and expectations. The Board believes that the Repurchase Scheme is a reflection of this strong commitment.

The BOCHK Group will keep the market informed by way of announcement in compliance with the requirements of the Listing Rules as and when appropriate.

TEXT OF SFC ANNOUNCEMENT

SFC, HKMA and 16 banks reach agreement on Minibonds

The Securities and Futures Commission (SFC), the Hong Kong Monetary Authority (HKMA) and 16 distributing banks (the Banks) (Note 1) today jointly announce that they have reached an agreement in relation to the repurchase of Lehman Brothers Minibonds from eligible customers (Note 2).

The Banks have agreed with the SFC and the HKMA without admission of liability that (Note 3):

- each of the Banks will make an offer to repurchase from each eligible customer all outstanding Minibonds (Note 4) at a price equal to 60% of the nominal value of the original investment for customers below the age of 65 or at 70% of the nominal value for customers aged 65 or above as at 1 July 2009. Customers will be entitled to retain any coupon payments received to date;
- once the underlying collateral is recovered and paid to the Banks, each of them will make a further payment of initially up to 10% (depending on recoveries) of the nominal value of the Minibonds to eligible customers below the age of 65 and, if recoveries exceed 70%, the Banks will pay the entire excess amount to eligible customers who have accepted the repurchase offer (Notes 5 and 6);
- each Bank will make available an amount equivalent to the amount of commission income received by it as a distributor of the outstanding Minibonds to the trustee of the Minibonds to assist in the recovery of the underlying collateral for each outstanding series of Minibonds;
- each of the Banks will immediately implement special enhanced complaints handling procedures to resolve, in a fair and reasonable manner, all complaints in relation to the sale and distribution of other structured products (Note 7); and

- to demonstrate their commitment in serving the investing public with the highest standards of conduct, each of the Banks: (i) will engage an independent reviewer, to be approved by the SFC and the HKMA, to review its systems and processes relating to the sale of structured products, to report to the SFC and the HKMA and will commit to the implementation of all recommendations by the independent reviewer; and (ii) will engage a qualified third party, as approved by the SFC and the HKMA, to review and enhance complaints handling procedures, and will commit to the implementation of all recommendations by such third party.

People who have previously reached settlement with the Banks in relation to Minibonds will not qualify for the repurchase offer. However, the Banks have undertaken to the HKMA to make ex gratia payments to those customers that have already entered into settlements with the Banks and who would have been eligible to receive the repurchase offer where those customers have received settlement amounts less than they would have received under this agreement. The intention is to bring those customers in line with eligible customers under this agreement.

In consideration of the agreement, the SFC will discontinue its investigations into the sale and distribution of Minibonds by the Banks. The HKMA has also informed the Banks that as the agreement contains detailed arrangements for the settlement of claims and the implementation of robust systems for selling unlisted structured products and dealing with related customer complaints in future, it is not its intention to take any enforcement action against the Banks in relation to Minibond cases that involve eligible customers who accept the offer.

The SFC considers that this agreement meets the SFC's criteria for resolution under section 201 of the Securities and Futures Ordinance for the following reasons:

- The repurchase scheme should ensure that eligible customers who accept the repurchase offer will, subject to the recovery and distribution of the underlying collateral, receive a total amount that is equal to or greater than what they would otherwise recover if they were simply paid the current market value of the collateral.
- The agreement takes into account that the recoverable value of the collateral is not certain. Even if the recoverable value of the collateral is below the values estimated by experts engaged by the Hong Kong Association of Banks in late 2008, the proposal will still deliver a return for the eligible customers that is equal to or exceeds 60% of their investment (or 70% for customers aged 65 or above).
- The agreement includes a commitment by the Banks, as noteholders, to take reasonable steps to expedite the return of the collateral. It is important that any claim on the collateral that might reduce its recoverable value is negotiated robustly.
- The agreement represents an opportunity to resolve outstanding investigations involving 15 banks in a way that will bring benefits to nearly all holders of outstanding Minibonds.
- The agreement includes special measures in which the Banks will investigate and resolve in a fair and reasonable manner all complaints involving the sale and distribution of other structured products.
- The agreement also remediates the Banks' systems and processes to meet the highest standards that will provide enhanced protection to the investing public in the future and give the investing public an assurance that the parties are determined to ensure these events are not repeated.

- The SFC and the HKMA believe that the repurchase offer by the Banks is a reasonable one and is in the public interest.

“Strong markets, like Hong Kong’s, need strong regulations. This agreement will provide substantial benefits for the vast majority of customers holding Minibonds that would not otherwise be received by them and, given the number of Banks and customers involved, the agreement is a watershed in the regulation of financial services in Hong Kong,” said the SFC’s Chief Executive Officer, Mr Martin Wheatley.

“Specifically, the agreement paves the way for customers who hold Minibonds to receive a substantial return of their capital. Secondly, the financial support of the Banks, using the commission income received in the sale of Minibonds, will expedite the return of the underlying collateral to Hong Kong Minibond holders. This aligns the interests of the Banks and customers holding Minibonds. Thirdly the agreement provides the framework for the Banks to develop higher standards of practice in the future and to resolve complaints in relation to other structured products. For these reasons, the SFC firmly believes it is an appropriate resolution of the Minibond issue with these banks,” remarked Mr Wheatley.

Mr YK Choi, Deputy Chief Executive of the HKMA, said: “The HKMA welcomes and supports the repurchase scheme and considers it to be practical, reasonable and in the interests of the great majority of Minibond investors. The HKMA encourages eligible customers to consider the repurchase offer by the Banks.”

Dr The Hon Sir David Li Kwok-po, Chairman and Chief Executive of The Bank of East Asia, Ltd, said on behalf of the Banks: “The Banks are pleased to have reached this agreement with the SFC and the HKMA which we believe will benefit Hong Kong as an international financial centre. It evidences our joint effort to assist the Minibond investors in Hong Kong who have been impacted by the sudden collapse of the Lehman Brothers Group, and to reinforce public confidence in Hong Kong’s banking, financial and regulatory systems. This agreement demonstrates our unwavering commitment to the good of Hong Kong and the welfare of our customers. We will continue to work with the SFC and the HKMA to maximise the confidence of our customers in Hong Kong’s banks, and to ensure that the standards maintained by Hong Kong’s banks will be in line with international best practice.”

The SFC acknowledges the substantial assistance of the HKMA in the investigation of these cases.

End

Notes to Editor:

1. The Banks are: (1) ABN AMRO Bank N.V.; (2) Bank of China (Hong Kong) Ltd; (3) Bank of Communications Co Ltd; (4) The Bank of East Asia, Ltd; (5) Chiyu Banking Corporation Ltd; (6) Chong Hing Bank Ltd; (7) CITIC Ka Wah Bank Ltd; (8) Dah Sing Bank Ltd; (9) Fubon Bank (Hong Kong) Ltd; (10) Industrial and Commercial Bank of China (Asia) Ltd; (11) Mevas Bank Ltd; (12) Nanyang Commercial Bank, Ltd; (13) Public Bank (Hong Kong) Ltd; (14) Shanghai Commercial Bank Ltd; (15) Wing Hang Bank Ltd; and (16) Wing Lung Bank Ltd.
2. Eligible customers will not include professional investors, corporate/non-individual investors (with specified exceptions) or experienced investors (meaning investors who had, in the three years preceding their first purchase of Minibonds, executed five or more transactions in structured products and/or five or more transactions in leveraged products). The definition also excludes those customers who have previously settled claims in relation to Minibonds with the Banks.

3. Please follow this link for the Questions and answers about Lehman Brothers Minibonds Repurchase Scheme by Distributing Banks.
4. Outstanding Minibonds refers to the following series of Minibonds: series 5 – 7 inclusive, series 9 – 12 inclusive, series 15 – 23 inclusive, series 25 – 36 inclusive.
5. Table setting out the projected recovery (%) by eligible customers below the age of 65 as at 1 July 2009:

Collateral amount recovered	0%	5%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Total recovery by eligible customers	60%	65%	70%	70%	70%	70%	70%	70%	70%	80%	90%	100%

6. Table setting out the projected recovery (%) by eligible customers aged 65 or above as at 1 July 2009:

Collateral amount recovered	0%	5%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%
Total recovery by eligible customers	70%	70%	70%	70%	70%	70%	70%	70%	70%	80%	90%	100%

7. The Code of Conduct for Persons Licensed by or Registered with the SFC provides that licensees and registered institutions should ensure customer complaints are handled in a timely and appropriate manner, steps are taken to investigate and respond promptly to complaints and, where a complaint is not remedied promptly, the client is advised of further steps available under the regulatory system.

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

Hong Kong, 22 July 2009

As at the date hereof, the Board comprises Mr. XIAO Gang (Chairman), Mr. LI Lihui* (Vice-chairman), Mr. HE Guangbei (Vice-chairman and Chief Executive), Mr. LI Zaohang*, Mr. ZHOU Zaiqun*, Mdm. ZHANG Yanling*, 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*