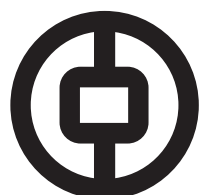


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中銀香港(控股)有限公司

BOC HONG KONG (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 2388)

CONNECTED AND DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTION

The Board is pleased to announce that on April 11, 2006 the Company and BOC Insurance entered into a Sale and Purchase Agreement whereby the Company conditionally agreed to purchase the BOC Life Shares, representing 51% of the issued share capital of BOC Life, for a purchase price of HK\$900 million. The Company will finance the Purchase from its cash reserves. The principal business of BOC Life is the provision of life insurance services to customers in Hong Kong. As BOC Insurance is wholly owned by BOC, the controlling shareholder and therefore a substantial shareholder of the Company, the Purchase will be a connected transaction. The percentage under the revenue test based on 2005 revenue was 11.7%, and therefore the Purchase is both a discloseable transaction and a connected transaction requiring independent shareholders approval.

In the ordinary course of its business, the Group conducts certain continuing connected transactions with BOC and its associates that have been disclosed in an announcement dated January 4, 2005 and annual caps were assigned to these continuing connected transactions for each of the three financial years ending December 31, 2007. The Company intends to revise the Existing Caps for the two years ending December 31, 2007 and to set a new annual cap for the year ending December 31, 2008 in respect of interbank capital markets transactions with BOC at HK\$14 billion, HK\$18 billion and HK\$22 billion in 2006, 2007 and 2008 respectively. These caps equalled from 8.5% to 13.3% of the market capitalisation of the Company as at December 31, 2005, and therefore these transactions are continuing connected transactions requiring independent shareholders approval .

This announcement is being published pursuant to Rules 14.34 and 14A.47 of the Listing Rules. Pursuant to Rule 14A.48 of the Listing Rules the Transactions are subject to the approval of the independent shareholders of the Company and pursuant to Rules 14.38 and 14A.49 a circular will be despatched to the Shareholders within 21 days after the date of this announcement.

The Board has set up an Independent Board Committee comprising 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, to review and approve the Transactions. The Company has retained Rothschild as the independent financial adviser to the Independent Board Committee for the purpose of considering the Transactions.

Shareholders and potential investors should note that the Transactions are conditional on certain approvals as set out below and may or may not be completed. They are reminded to exercise caution when dealing in the securities of the Company.

BACKGROUND TO THE TRANSACTIONS

BOC indirectly controls approximately 65% of the issued shares 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 under the Listing Rules. BOC Life is a wholly-owned indirect subsidiary of BOC.

The Purchase

Pursuant to the Sales and Purchase Agreement, the Company has conditionally agreed to purchase the BOC Life Shares, representing 51% of the entire outstanding issued share capital of BOC Life. 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 principal business of BOC Life is the provision of life insurance services to customers in Hong Kong.

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 December 31, 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 advisors to the Company. Further advice on valuation, including information on market comparables, was provided by KPMG Corporate Finance Limited. KPMG issued a report on an estimate of embedded value and on 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. Further details about the appraisal valuation including its principal bases and assumptions will be included in the circular to be despatched in respect of the Transactions. The Company determined the Purchase Price after taking into account the advice of these advisors, 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.

Conditions Precedent

The Sale and Purchase Agreement is conditional upon, amongst other factors:

- (a) The passing by the independent shareholders of the Company of resolutions in the EGM approving the Sale and Purchase Agreement and the Shareholders' Agreement;
- (b) The approval of the Insurance Authority of Hong Kong to the Company becoming a controller (as defined in the Insurance Companies Ordinance (Chapter 41 of the Laws of Hong Kong)) of BOC Life;
- (c) BOC Life having assigned BOCG Insurance Tower, which it currently owns, to BOC Insurance at book value on its 2005 audited accounts. 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; and
- (d) 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.

If the above conditions are not fulfilled on or before September 30, 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 June 1, 2006 subject to the satisfaction of the Conditions.

Shareholders Agreement

Completion of the Purchase will also be conditional on the Company and BOC Insurance entering into a Shareholders Agreement. The principal terms of the Shareholders Agreement, include, inter alia, the following: (i), the Company will be entitled to nominate four of the eight directors and the chairman of the Board who has a casting vote and thereby the Company will control BOC Life; (ii) the Company shall be entitled to nominate senior management of BOC Life; (iii) BOC Insurance undertakes not to compete with or solicit employees from BOC Life for a period of two years; (iv) either shareholder will have a right of first refusal on future disposition of shares of BOC Life to third parties; (v) the Company undertakes 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.

BOC Life

BOC Life was incorporated in Hong Kong on March 12, 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 Bank of China (Hong Kong) Limited, a wholly-owned subsidiary of the Company. 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:

	2005	2004	2003
		<i>HK\$ in billions</i>	
Total Assets	9.34	5.97	4.31
Total Investment Securities	7.89	5.38	3.80
Total Shareholders' Funds	0.98	0.75	0.33
Gross Underwriting Income	3.64	2.33	1.55
Net Investment Income	0.01	0.33	0.23
Total Income	3.69	2.66	1.78
Profit before tax	0.14	0.09	0.02
Profit after tax	0.20	0.09	0.02

Reasons for 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 management of BOC Life. 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 using successfully tried bancassurance models and by stationing insurance professionals in bank branches and wealth management centres, which is expected to result in much higher sales volume spread over a wider product range.
- The alliance with BOC Life will 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 customizing 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.

The Continuing Connected Transaction

Background

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 December 31, 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 December 31, 2007. The annual cap for interbank capital markets transactions for 2005 was set at HK\$3,500 million, the maximum available without exceeding the relevant thresholds in the Listing Rules that required independent shareholder approval.

Interbank capital markets transactions refers 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 agreed 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 or at the request of the counterparty, these transactions may be done on a principal-to-principal basis between BOCHK and the relevant BOC branch, and therefore would be counted under the cap. Such transactions with BOC branches were restricted in 2005 because of the cap.

Rule 14A.35(1) requires a continuing connected transaction 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 Services and Relationship Agreement with respect to interbank capital markets transactions to expire on December 31, 2008.

Reasons for 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 presented above:

- 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 branches of 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 China ease.

Therefore, 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 revise the Existing Caps for the two years ending December 31, 2007 (that are currently both set at HK\$3.5 billion) and to set a new annual cap for the year ending December 31, 2008 at HK\$14 billion, HK\$18 billion and HK\$22 billion in 2006, 2007 and 2008 respectively. The 2006 cap is based on the assumptions 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 growth even faster than currently anticipated.

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 of debt securities 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

LISTING RULES REQUIREMENTS

The board of directors of the Company has set up the Independent Board Committee comprising 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, to review and approve the Transactions. The Company has retained Rothschild as the independent financial adviser to the Independent Board Committee and the independent Shareholders for the purpose of considering the Transactions and advising whether the terms of the Sale and Purchase Agreement and the Shareholders Agreement are fair and reasonable so far as the interests of the Group and the Shareholders as a whole are concerned, and whether the Purchase is also beneficial to and is in the interests of the Group and the Shareholders as a whole.

A circular containing, inter alia, further information regarding the Purchase, financial information on BOC Life, the Continuing Connected Transaction, and a notice convening the EGM, will be despatched to Shareholders shortly.

INFORMATION REGARDING THE GROUP

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.

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
“associate”	has the 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 65% of the equity capital in 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
“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 June 26, 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
“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
“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
“Continuing Connected Transaction”	the interbank capital markets transactions described under the heading “Continuing Connected Transaction – Background”
“EGM”	an extraordinary general meeting of the Shareholders (other than BOC and its associates) to be held on May 26, 2006 to consider, and if thought fit, approve the Transactions
“Existing Caps”	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
“Independent Board Committee”	a committee of the board of directors of the Company comprising 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
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (and a “Rule” means a rule of the Listing Rules)

“PRC” or “China”	the People’s Republic of China which, for the purposes of this announcement only, excludes Hong Kong, Macau and Taiwan
“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
“Rothschild”	N M Rothschild & Sons (Hong Kong) Limited, a corporation licensed under the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) (“SFO”) to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO as the independent financial adviser to the Independent Board Committee in respect of the Transactions
“Sale and Purchase Agreement”	the Sale and Purchase Agreement entered into on April 11, 2006 pursuant to which the Company will conditionally purchase the Shares from BOC Insurance
“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’ Agreement”	the Shareholders’ Agreement, to be entered into on the Completion Date, between the Company and BOC Insurance
“Shareholders”	the shareholders of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Transactions”	the Purchase and the Continuing Connected Transaction

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

Hong Kong, April 11, 2006

As at the date hereof, the Board comprises 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 Wai-Hok Savio**and Mdm. YANG Linda Tsao**.*

* *non-executive directors*

** *independent non-executive directors*

“Please also refer to the published version of this announcement in the South China Morning Post”