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24th March, 2005

Office of International Corporate Finance
Division of Corporation Finance
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549
U.S.A.

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OFFICE OF INTERNATIONAL
CORPORATE FINANCE

SUPPL

Dear Sirs,

BOC Hong Kong (Holdings) Limited
Rule 12g3-2(b) File No.82-34675

We enclose the following announcements and press release issued by BOC Hong Kong (Holdings) Limited in Hong Kong and dated 23rd March, 2005 for your attention:

- (1) 2004 annual results announcement;
- (2) Highlights of 2004 annual results; and
- (3) Press release in relation to 2004 annual results.

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Please note that the above documents are being furnished to the Securities and Exchange Commission (the "SEC") on behalf of the Company pursuant to the exemption from the Securities Exchange Act of 1934 (the "Act") afforded by Rule 12g3-2(b) thereunder.

This information is being furnished under paragraph (1) of Rule 12g3-2(b) with the understanding that such information and documents will not be deemed to be "filed" with the SEC or otherwise subject to the liabilities of Section 18 of the Act and that neither this letter nor the furnishing of such information and documents shall constitute an admission for any purpose that the Company is subject to the Act.

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Yours faithfully,
For and on behalf of
BOC Hong Kong (Holdings) Limited

A handwritten signature in black ink, appearing to be 'Jason C.W. Yeung'.

Jason C.W. Yeung
Company Secretary

Encl.



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)

South China Morning Post
Date 24th March 2005

2004 Annual Results Announcement

CHAIRMAN'S STATEMENT

I am pleased to report that for the year ended 31 December 2004, the Group's profit attributable to shareholders was HK\$11,963 million, up 50.25%, which was assisted by a net provision write-back of HK\$1,528 million and a property revaluation gain of HK\$1,862 million. Operating income for the period was HK\$15,857 million, down 8.09% due to a 13.06% decline in net interest income, which was partially offset by an increase in net fees and commission income. Earnings per share were HK\$1.3115, compared to HK\$0.7532 for 2003.

The Board is recommending a final dividend of HK\$0.395 per share at the Annual General Meeting on 26 May 2005. Total, together with the interim dividend payout of HK\$0.320 per share, will result in a total dividend for the full year of HK\$0.715 per share. (Total dividend for 2003: HK\$0.515 per share). In view of the Group's financial strength and healthy financial position, we are able to maintain our dividend payout ratio at a high level, that is, 63.19% of the profit attributable to shareholders.

The upturn of the Hong Kong economy that became increasingly evident in the first two quarters extended into the second half of 2004, as reflected in the strong GDP growth in real terms. The return of consumer confidence was more pronounced as employment figures improved and as deflation officially came to an end in the third quarter of the year. External trade continued to flourish while the local investment and property markets in general became more active than a year ago.

While the banking sector also experienced some spillover effect of the general improvement of market sentiments, the challenges that local banks had to face remained significant. Most notably, competition remained intense, and the downward pressure on net interest margin persisted, making it difficult for banks to grow net interest income in a meaningful way.

Notwithstanding these challenges, we continued to pursue with success our goal of sustaining growth and maximising shareholder value through a focused business development strategy and enhanced corporate governance while keeping operating costs under control. We also embarked on major corporate reforms in the past year, paving the way for healthy development in the long term.

Our retail banking and treasury businesses continued to perform satisfactorily as a result of an expanded wealth management clientele, increase in quality customers and higher demand for our innovative and customised services. On the corporate banking front, I am pleased to report that much progress has been made to de-risk our corporate lending portfolio, improve our loan mix and reduce the NPL ratio. We also performed our role impeccably as the clearing bank for personal RMB banking services in Hong Kong and remained the market leader in offering those services.

The Group's other major task during the year was to implement corporate reforms to further enhance the management structure and develop a more efficient and committed workforce. All these will enhance the Group's competitiveness and capabilities that are essential for sustaining business growth and achieving breakthroughs in the longer term.

During the year, the Board has approved the Group's Vision, Mission and Core Values. With this initiative, we have officially embarked on building a coherent and bank-wide corporate culture and spirit that will motivate us and move us forward in the 21st century.

The Group's management structure has been substantially strengthened with the appointment of Mr. Raymond Lee as Chief Financial Officer, who will also continue to oversee key parts of the Group's operation. Mr. Gao Yingbin as Deputy Chief Executive responsible for corporate banking, and Mr. Alex Cheung as Chief Risk Officer. At the same time, we have appointed Mr. Peter Liu as Chief Information Officer, a newly created position that reflects the increasing importance of information technology in our operation. The new appointments are all highly experienced and versatile in their respective fields of expertise and have been appointed through an open, competitive and global recruitment process. Led by Chief Executive He Guangbei, the Group now has a much stronger management and operational structure that is in line with international best practices and that can ensure a higher degree of corporate governance and accountability to stakeholders. In this connection, I must thank the Search Committee headed by Dr. Victor Fung and comprising Vice Chairman Sun Changli, all the other Independent Non-executive Directors and Chief Executive He Guangbei for their devotion and relentless effort in the past several months.

With the Board's blessing, the Group rolled out a bank-wide human resources reform project that ensures that our remuneration and placement system is fair, reasonable and merit-based and is in line with market practices and trends. This system allows us to recruit, develop and retain the best staff we need to grow our business and achieve our corporate goals. Of equal, if not greater, importance is that under the new human resources policy and system, staff will be properly incentivised, i.e., those who perform of excel will be duly rewarded and enjoy brighter career prospects with the Group.

The Group remains committed to maintaining high standards of corporate governance and transparency. Timely disclosure of corporate information was carried out throughout the year. During the year, the Board set up an independent board committee comprising all independent

The Group's total operating income decreased by 8.09% to HK\$15,857 million, which was due partly to a 13.06% reduction in net interest income, caused primarily by the low HIBOR and squeezed margin. Non-interest income, however, increased by 6.51% to HK\$4,684 million, representing 29.41% of total income. In addition to the external environment, the management crisis in August inevitably had some undesirable impact on the implementation of the various initiatives regarding our business strategies and models, and hence, the Group's operating income. Now that the crisis is behind us, we are confident that the positive effects of those initiatives would gradually manifest themselves and be reflected in the performance of the Group in the course of time.

The Group's operating expenses fell by 2.70% to HK\$5,505 million as operational efficiency and productivity continued to improve, partially offsetting the decrease in operating income. During the year, the Group's cost to income ratio was maintained at the low level of 34.72%.

With improved market conditions as well as effective risk management, the Group's overall asset quality improved substantially in 2004. Both the NPL ratio and classified loan ratio dropped to 2.85%, down 2.83 and 2.87 percentage points respectively. At the same time, the quality of our residential mortgage loans and card advances also improved. These achievements reflected our commitment to de-risking our loan portfolio in certain industry sectors with an enhanced risk management culture and system that is now strictly observed throughout the Group in its daily operation.

Review of Business Performance

Despite the challenges and an increasingly competitive environment, 2004 was a year of new initiatives and achievements to the Group.

In terms of business performance, we made a number of important progress in 2004. Firstly, we succeeded in enlarging our deposit and lending portfolio while maintaining our edge in traditional businesses. Deposits from customers increased by HK\$30,688 million, or 5.11%. Advances to customers continued to drop in the first half of 2004 as a result of write-offs and collection. However, we saw growth again in the second half with our renewed effort in sales and marketing in both Hong Kong and the Mainland. As a result, total advances to customers grew by 1.36% for the year. An even better measurement would be the growth in our performing loans, which grew by 4.55%. We also continued to diversify our loan portfolio by aggressively growing our retail lending and the non portfolio of our Mainland branches.

The year under review also witnessed our success in maintaining our leading position in traditional business. For example, we remained a leading stranger of syndicated loans in Hong Kong. We also remained the market leader in underwriting new residential mortgages. Our mortgage balance grew by 6.24% from end-2003. Our credit card business recorded sustaining performance. Compared to 2003, our cardholder spending and card issuance grew by 31% and 34% respectively. Card advances increased by 13.31%. Of equal importance, our charge-off and delinquency ratios fell to 3.96% and 0.38% respectively, well below the market average.

Secondly, with the momentum we built up in 2003, we recorded robust growth in the high-margin businesses in 2004, particularly wealth management and consumer credit, which partially compensated the fall in net interest income. Basically, the targets for most of the various components of our wealth management business were met or exceeded. The total wealth management income registered a strong growth of 27.91%.

Thirdly, since the introduction of personal RMB banking services in Hong Kong in early 2004, we have impeccably discharged our duty as the sole local clearing bank. We also pioneered the offering of premier RMB services, including personal deposits, exchange, remittance and bank cards, and have remained the local market leader by a large margin. We were the first issuer of RMB credit cards in Hong Kong with over 50,000 RMB cards issued by end-2004. In addition, we took the lead in launching UnionPay Card Payment Service in Hong Kong in January, and have enjoyed a leading position in the market.

Fourthly, our China-related business experienced healthy growth as we made use of our solid foundation to strengthen our presence in the Mainland market. Total advances to customers rose by 53% while customer deposits grew by 17%. The combined operating profit of our Mainland branches before provision increased by nearly 22%. More importantly, we not only succeeded in growing our loan portfolio and profit in the Mainland, but also managed to improve our asset quality substantially, with the classified loan ratio dropping to 3.26% at end-2004, compared to over 10.35% a year ago.

The performance of our China-related business was the result of an effective business model that leverages the Group's retail and corporate franchise in Hong Kong, branch network in the Mainland and close cooperations with BOC to offer highly efficient and timely cross-border services to customers.

Last but not least, in July in collaboration with BOC (Asia-Pacific) Lynch and HSBC, the Group became the Arrangers and Joint Global Co-ordinators for the HK\$1.4B Government's HK\$30-billion 10-year bond offering. This was a landmark achievement for the Group.

To encourage our staff to identify with the VMY and in order that the VMY can be properly indicated, embraced and perpetuated within the Group, we have developed and introduced a comprehensive communication and promotion programme among the staff. This effort will continue well into 2005. With our colleagues' unanimous support and cooperation, I am confident that we can develop a corporate culture that best suits the Group and gives us clear guidance as we move forward in the 21st century.

To ensure that the whole Group is working towards common goals, we started implementing a new performance appraisal system based on key performance indicators ("KPI"). The new KPI system embraces five main categories – profitability, asset quality and risk, the development of strategic business, operational efficiency, and manpower and innovation.

Prospects and strategies

The economic recovery that Hong Kong is experiencing seems likely to extend into 2005 and benefit more business sectors. This should give rise to higher demand for loans as well as banking and financial services, though competition in the sector would remain intense.

The enhanced management structure that is now in place and the corporate reforms that were carried out in the past year will give the Group an edge in competing for new business, sustaining revenue and profit growth and excelling itself in key areas in the coming year.

With our achievements in 2004, we will continue to perfect our development strategy, business model, corporate culture and risk management. Our primary objective is to achieve higher top line growth and ensure better return for shareholders.

We will continue to expand and diversify our income base. We will strive to raise our net interest margin by developing high-margin products. We will optimise our income structure by growing our non-interest income, and at the same time taking advantage of the rise in interest rates to grow our net interest income. We will also step up our effort in expanding our Mainland business. Internally, we will continue to enhance our human and technological capabilities as well as improve our operational efficiency and productivity.

For retail banking, we will leverage our product innovation, customisation, relationship building and cross-selling capabilities to ensure the growth momentum is maintained. We will continue to grow our wealth management products, credit card business and personal lending. We are also determined to maintain our leadership in residential mortgage business by offering competitive and flexible products.

For corporate banking, we have the benefit of a newly developed customer relationship building platform that enables us to explore and satisfy customers' diverse needs and capture untapped potential. We will also actively develop the SME business. These will facilitate us in developing and selling trade finance and high-margin products. At the same time, we will focus on further improving the asset quality of our corporate loan portfolio.

To drive the development of our SME business, which we consider an important part of our strategy, we have appointed a segment manager to oversee the SME segment and leverage our branch network to improve SME customers' access to customised services. Portfolio management of small exposures will be adopted to improve efficiency without sacrificing our prudent management of risks.

With immensely rich potential, the Mainland market will remain one of our major business focuses in the coming year. With the momentum we have gained last year in growing our income and profit in this market, we will continue to leverage our branch network in both Hong Kong and the Mainland as well as our cooperation with BOC to expand our customer base and generate new business. At the same time, I am also confident that our capabilities and experience will ensure our leadership in the RMB banking business.

Vote of thanks

I wish to thank the Board of Directors and the Senior Adviser for their guidance and support throughout the year. I also thank all my colleagues for their loyalty, dedication and hard work. I am sure that together, we can overcome any new challenges and achieve even greater success in the coming year.

HE Guangbei
Vice Chairman and Chief Executive

Hong Kong, 23 March 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section, an analysis of the performance, financial position and risk management of the Group is provided. The following discussion is based on, and should be read in conjunction with, the accounts and the notes included in the Annual Report 2004.

Income from loan and bills commissions stayed flat, reflecting tighter margins due to keen market competition. The surge in wealth management income by 27.91% to HK\$1,361 million was primarily driven by increases in income of HK\$74 million, or 61.67%, from the distribution of life insurance products, HK\$140 million, or 20.11%, from stockbroking and HK\$61 million, or 164.86%, from structured notes and bond sales. These results reflected the success of the Group's strategic focus on growing its wealth management business to take advantage of the increased demand for higher-yielding investments in the low interest rate environment. Income from payment services rose by HK\$34 million, or 10.79%, driven by the growth in remittance transactions. Income from card business also recorded a growth of HK\$106 million, or 18.93%, as cardholder spending and merchant acquiring volumes increased by 31% and 37% respectively. With the introduction of personal RMB banking services at the beginning of 2004, RMB-related businesses contributed HK\$26 million of fee income. The increase in fees and commission income was partially offset by higher fees and commission expenses from credit card and residential mortgage businesses.

Compared to the first half of the year, loan and bills commission income for the second half outperformed the first half as business volume increased. Wealth management income in the second half of the year was lower mainly due to the drop in stockbroking transaction volume, generally in line with a fall in market turnover. Sales of life insurance products and investment funds also shrank as the demand for these products reduced in an interest rate hike environment.

Net gain from other investments in securities amounted to HK\$29 million as compared to a net loss of HK\$108 million in 2003, which was due to losses from the disposal of debt securities.

Net gain from foreign exchange activities increased by HK\$91 million, or 9.43%, as business volume rose.

Operating Expenses

Operating expenses decreased by HK\$153 million, or 2.70%, to HK\$5,505 million, as a result of disciplined cost control and improvement in operational efficiency. Staff costs fell by HK\$25 million, or 0.75%, to HK\$3,291 million, as headcount decreased. Headcount measured in full time equivalents was 12,976 at end-2004, a decrease of 161 from end-2003. The reduction in other operating expenses of HK\$95 million, or 8.51%, was attributable to the one-off professional fees incurred for a special review in 2003. The slight rise in cost to income ratio of 1.93 percentage points was due to the decline in total operating income.

Provisions for Bad and Doubtful Debts

A net provision write-back of HK\$1,628 million was recorded in 2004 as compared to a net charge of HK\$1,671 million in 2003. New specific provision charge was down by HK\$2,314 million, or 60.35%, to HK\$1,520 million, mainly due to lower bad debt formation as the Group's asset quality continued to improve. This represented a HK\$9,129 million, or 85.73%, reduction in new specific provision charge during the Group's merger and restructuring in 2001. The significant improvement was due to continuous enhancement of risk management practices since then. Releases in specific provisions increased by HK\$1,083 million, or 141.02% to HK\$1,851 million, reflecting the increase in collateral value and strong collection brought by improvement in the economy and property market. As a result of the Group's relentless effort, the recovery of loans previously written off rose by HK\$918 million, or 209.59%, to HK\$1,356 million. General provision charge was HK\$59 million due to increase in loan balance.

Property Revaluation

The Group registered an increase in valuation of properties amounting to HK\$5,415 million in 2004, reflecting the increase in market value in a more robust property market. Premises and investment properties were revalued on the basis of their open market value on 31 October 2004 by Creditor Penny Limited, an independent firm of chartered surveyors. The revaluation resulted in a credit to the profit and loss account of HK\$7,862 million, which included a revaluation gain on premises and investment properties of HK\$1,337 million and HK\$325 million respectively. The remaining revaluation surplus was mainly recognised in property revaluation reserves.

Taxation

Taxation for 2004 was HK\$2,131 million, up HK\$1,542 million or 261.80%, from HK\$599 million in 2003. The increase was partly due to a HK\$732 million write-back of tax provisions in 2003 that was no longer required after the Inland Revenue Department finalised the tax losses of the Group's predecessor merging branches and the tax position of BOCCHK, and partly due to higher profit before taxation in 2004. The effective tax rate of the Group in 2004 was approximately 15%, which stayed flat when compared to last year after excluding the effect of tax provision write-back in 2003.

Financial Position

Total assets were HK\$796,276 million as at 31 December 2004, up HK\$34,189 million or 4.48%, from end-2003. Cash and short-term funds fell by 23.46%. At the same time, placements with banks and other financial institutions maturing between one and twelve months increased by 37.50%. Investments in securities rose by 9.73% and the duration extended.

Fixed assets increased by HK\$4,295 million, or 24.43%, to HK\$21,877 million, primarily due to the rise in the valuation of premises and investment properties of HK\$5,415 million.

Business Review

Commercial Banking

The Commercial Banking segment consists of the Retail Banking and Corporate Banking businesses.

Segment financial highlights

- Net interest income decreased by HK\$1,512 million, or 16.10%, to HK\$7,890 million. The decrease was mainly due to a narrowed deposit spread, which was partially offset by an increase in income from the Retail Banking loan portfolio, mainly comprising residential mortgage loans as the HKD Prime and HIBOR spread widened and the balance increased. Net interest income from Corporate Banking declined marginally as compared to 2003.
- Other operating income grew by HK\$172 million, or 5.52%, to HK\$3,288 million, driven by strong revenue growth from the Group's wealth management business.
- Costs remained under prudent control.

Owing to improved asset quality and strong recoveries, there was a significant provision write-back from the Corporate Banking loan portfolio.

Overall, the provision write-back offset the decline in net interest income, resulting in a net growth of HK\$2,015 million, or 31.17%, in the Commercial Banking segment's operating profit after provisions.

Retail Banking

Strong growth in all major business areas. To diversify the Group's income streams, wealth management has been a top priority in Retail Banking strategies as concerned. In 2004, the Group aimed at further solidifying its wealth management platform while developing more professional and tailor-made products and services to cater for different customer segments. It also strove to maintain its leading position in the deposit taking and mortgage lending businesses. Strengthening consumer credit and card advances was another key initiative for raising the return of its retail loan portfolio. Moreover, riding on the business opportunities arising from the economic integration between the Mainland and Hong Kong, the Group continued to grow its RMB-related business. In 2004, the Group achieved significant growth in major business areas, namely, wealth management, mortgage, cards and personal RMB banking businesses.

Wealth management: Wealth management registered strong growth during the year. The Group has been working closely with investment fund houses and strategic business partners to select a series of performing investment funds and other innovative investment products to fulfil customers' needs. Stockbroking transactions, sales of open-ended funds, structured notes and bonds, and distribution of insurance products grew by 31%, 68%, 27%, and 66% respectively. The Group became the Arrangers and Joint Global Coordinators for the HK\$AR Government's HK\$20-billion global bond offering in July.

In late 2004, with an enhanced wealth management platform, it launched the Wealth Management Prime services in its 81 wealth management centres and branches. Designated Personal Financial Services Managers provide customers with comprehensive and personalised financial planning services. Furthermore, with the introduction of a sophisticated financial planning tool, Wealth MaxWiser, the Group further strengthened its professional investment portfolio analysis and recommendations for customers. During the year, the total number of wealth management customers tripled with approximately HK\$130 billion asset under management. The engaged clientele would provide new impetus to the Group's wealth management business.

Mortgage: Despite intense competition, the Group's mortgage business continued to grow and outperform the market. The Group's mortgage balance was up 6.24%, from end-2003. To satisfy customers' diverse finance needs under the prevailing low interest rate environment, new products, including the fixed interest rate mortgage scheme and the HIBOR based mortgage scheme, were introduced in 2004. Both schemes were well received by customers. The asset quality of mortgage loans continued to improve as a result of the rise in property prices and the Group's effective risk management. The combined delinquency and rescheduled loan ratio fell to 0.81%, lower than the market average. The negative equity ratio dropped to 3.93% at end-2004, compared to the market average of 6.30%.

Personal loans: Sustained economic growth and increasing consumer credit demand contributed to the growth of the Group's personal loans, which increased by approximately 6%. During the year, the Group expanded its range of personal loan products and launched USmart personal loans and USmart tax loans that allow customers to enjoy a higher degree of financial flexibility.

Credit cards: Riding on the growth momentum of 2003, the Group's card business showed outstanding performance in 2004 with 11% increase in net fees and commission income. During the year, a wide range of new services and products were offered to customers. For example, the newly launched Warner Mini Card and 2004 BOC Euro First Bank Commemorative MasterCard were both well received by customers. The Group was also the first bank in Asia to launch Euro-denominated credit cards. At the same time, it expanded its business to Macau with the issuance of Platinum MasterCard.

Compared to 2003, cardholder spending and the number of cards issued grew by 31% and 34%, respectively. Merchant acquiring volume rose by 37%. Meanwhile, card receivable balance increased by 13.31%, higher than the market growth rate. The revolving economy also helped improve the charge-off ratio and delinquency ratio to 3.96% and 0.38%, respectively, well below the market average.

The continual success of the Group's card business further solidified its position in the industry. In 2004, it received several awards from Visa International and MasterCard International.

The Group's China-related business achieved investment milestones in 2004.

The Group has made very good progress in expanding the business scope of its Mainland branches and sub-branches. Further to obtaining the approval to operate RMB business to foreign enterprises, BOCCHK's Shanghai and Shenzhen branches (including sub-branches) were allowed to offer RMB business service to Chinese enterprises. In addition, Nanyang's Dalian and Guangzhou branches also obtained the approval for providing RMB business to foreign and Chinese enterprises during the year. Six branches and sub-branches were allowed to commence financial derivatives business. Moreover, benefiting from the implementation of CEPA, BOCCHK's Shanghai and Shenzhen branches (including sub-branches) were admitted to commence insurance agency business while two other branches have already submitted their documents for insurance agency business.

The Group also undertook to enhance its services through the development of the electronic channel. In January, IT's Online Banking and Telephone Banking were launched successfully, enabling customers to check their account status, review payment records and request for various financial information. Four Mainland branches, revenue payment records and request for National Advanced Payment System, which provides real-time, safe and cost-efficient means of fund transfer to the Group's Mainland customers.

Treasury

The Group's treasury operation covers foreign exchange, gold bullion, derivatives, money markets, and capital markets.

Segment financial highlights

- Net interest income decreased marginally by HK\$54 million, or 1.81%, to HK\$2,928 million.
- Other operating income increased by HK\$203 million, or 22.11%, to HK\$1,121 million, mainly due to the gain from foreign exchange activities against the losses from the disposal of debt securities in 2003.
- Segment operating profit after provisions increased by HK\$152 million, or 4.07%, to HK\$3,890 million.

Growth in customer-driven business and active surplus fund management. The US interest rate hike and the low HIBOR resulted in a very challenging environment for treasury management in 2004. However, the Group strove to stabilise its net interest income through active asset and liability management. During the year, taking advantage of its flexible balance sheet, the Group lengthened the duration of its debt securities portfolio and increased investments in structured bonds and asset-backed securities for higher interest yield.

At the same time, strong emphasis was placed on developing new products and sales channels to improve the Group's non-interest income stream. Through enhanced collaboration with the Retail Banking and Corporate Banking businesses, customer-driven business grew while transaction volumes of foreign exchange, bullion and option-linked deposits increased significantly from 2003. In the fourth quarter, the Group launched the retail currency option trading services.

The Group also managed to grow the number of treasury customers by 14% and increased the transaction volumes of structured products significantly.

Technology and Operations

In 2004, the Group made good progress in information technology development. The Group met its targets in 2004 by successfully completing its core banking system enhancement, and various system changes for business development, process re-engineering and compliance-related requirements.

For the core banking system enhancement, the Group completed and launched its new savings account system with increased functionality. In addition, the development of the new banking application system for its Mainland branches, new securities trading system and new trade services system was completed in 2004 and scheduled to be launched in 2005. To develop its wealth management business, the Group completed and launched a new wealth management system offering financial planning and portfolio management services to customers. To support business development, the Group also achieved the followings:

- Completed CBS Online that offers an Internet-based channel to corporate customers;
- Upgraded IT's banking system;
- Completed linkage of the RTGS system between Hong Kong and Guangdong;
- Completed RMB Settlement Institute Management System for RMB clearing services;
- and
- Enhanced system functionality to meet the increasing complexity and diversity of its treasury product development.

To increase operational efficiency, the Credit Workflow Management System was launched, which facilitates fast and efficient credit approval and management process for the Retail Banking business. Its usage will be extended to the Corporate Banking business in 2005. Meanwhile, the second phase of the Information Processing Centralisation Project to transfer data entry work to Shenzhen was implemented.

To meet the new financial reporting standards effective in 2005, the Group carried out a system enhancement process to ensure compliance to the new standards. Further system refinement to meet the requirement of the new financial reporting standards will be completed in the first half of 2005.

Risk Management

Risk management is fundamental to the business of the Group. It is also an integral part of its

Overview

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Advances to customers

The Group's advances to customers marginally increased by HK\$3,644 million, or 1.50%, from end-2003 despite large write-off and collection amounting to HK\$2,858 million and HK\$7,323 million respectively. Loan to deposit ratio was 49.61% as at 31 December 2004, down 1.77 percentage points from end-2003.

The Group's efforts to achieve loan growth was better reflected in the growth in performing loans. As at 31 December 2004, the Group's performing loans rose by HK\$13,237 million, or 4.55%, from end-2003. Moreover, the Group continued to diversify its loan portfolio by growing retail loans and overseas lending, particularly the loan portfolio of Mainland branches. As a result, lending to individuals and loans for use outside Hong Kong accounted for 39.81% and 8.69% respectively of the total advances to customers, representing a rise of 1.26 and 1.66 percentage points respectively from end-2003. As a whole, the Group has achieved an improved and more diversified loan mix covering both corporate and retail loans as well as local and overseas loans.

Regarding loans for use in Hong Kong, lending to individuals showed solid growth of HK\$5,725 million or 4.81%, primarily driven by an increase of HK\$3,612 million, or 6.24%, in residential mortgage loans (excluding those under the government-sponsored home purchasing schemes). Credit card advances also rose by HK\$200 million, or 13.31%, reflecting the success of the Group's strategic initiative in growing the consumer credit business. Lending to industrial, commercial and financial sectors declined by HK\$7,805 million, or 5.01% largely due to write-off and collection. Meanwhile, trade finance grew by 9.74%.

The 25.58% growth in loans for use outside Hong Kong was mainly driven by the increase in lending by the Group's Mainland branches and overseas lending.

Deposits from customers

Total liabilities grew by HK\$25,846 million, or 3.69%, to HK\$727,016 million from end-2003, mainly caused by a rise in deposits from customers.

Deposits from customers increased by HK\$30,588 million, or 5.11%, to HK\$313,330 million from end-2003. During the year, the interbank liquidity remained high in Hong Kong. Despite the low interest rate environment, customers continued to place funds in savings and current accounts for liquidity preference. Savings deposits rose by HK\$25,023 million, or 9.22%, to HK\$296,462 million. For RMB deposits, the Group has continued to be a leading provider of personal RMB banking services since the launch of the services in early 2004.

Asset Quality

During the year, the Group's asset quality showed remarkable improvement, attaining the lowest level of NPL ratio since 2001. Both the NPL ratio and the classified loan ratio were at 2.95%, down 2.83 and 2.87 percentage points respectively. NPLs decreased by HK\$1,583 million, or 48.19% to HK\$3,239 million as at 31 December 2004.

The substantial improvement in asset quality was attributable to the Group's effective risk management and collection efforts. At the same time, the recovery of the economy and increased collateral values were also key factors. During the year, net new formation of classified loans was kept at a very low level, amounting to approximately HK\$1.4 billion, or less than 0.5% of total loan outstanding, compared to HK\$3.3 billion in 2003. Moreover, as at 31 December 2004, classified loan ratio of loans originated after the merger and restructuring of the Group in 2001 was slightly less than 1%, indicating the higher quality of new loans granted since then.

Collateral coverage for classified loans increased to 67.17% from 60.54% at end-2003 due to the increase in collateral value and write-off. Specific provisions and collateral coverage for classified loans was 91.05%, up 0.71 percentage point, compared to 90.95% in 2003. Total provisions as a percentage of NPLs rose significantly by 23.06 percentage points from end-2003 to 84.28% as at 31 December 2004.

The quality of the Group's residential mortgage loans continued to improve. The combined delinquency and rescheduled loan ratio decreased from 1.10% to 0.51%, lower than the market average of 0.85%. The quality of card advances also improved, with charge-off ratio and delinquency ratio falling by 4.90 percentage points and 0.37 percentage point to 3.96% and 0.38% respectively, which were better than the market average.

All these achievements reflect the Group's success in enhancing risk management standards to align with international best practices and in building a more rigorous risk management culture in its daily business operation.

Capital and Liquidity Ratios

The consolidated capital adequacy ratio increased by 1.03 percentage points to 16.14%, as at 31 December 2004, compared to 15.11% at end-2003, mainly due to a growth of the Group's total capital base after deductions.

The capital base after deductions grew by HK\$4,374 million as retained earnings increased. Total risk-weighted assets rose by HK\$1,671 million, primarily because of an increase in on-balance sheet risk-weighted assets by HK\$7,344 million, a decline of HK\$3,204 million in off-balance sheet risk-weighted assets and an increase in deductions by HK\$2,469 million. The growth in on-balance sheet risk-weighted assets was due to an increase in interbank placements and debt securities investments while off-balance sheet risk-weighted assets declined as a result of a decrease in other commitments with an original maturity of one year and over. The increase in deductions of risk-weighted assets was due to an increase in the valuation of premises and investment properties.

BOCHK's average liquidity ratio was 36.03%, down 1.73 percentage points from end-2003, mainly due to a decrease in average 1-month net interbank placements.

The Group's China-related card business achieved important milestones in 2004. It pioneered the launch of the China UnionPay Card acquiring business in Hong Kong in January. With over 6,400 new terminals in over 4,000 merchant sales points at end-2004, the Group has been providing reliable and convenient payment service to the Mainland UnionPay cardholders in Hong Kong. In September, China UnionPay Card acquiring business was also extended to Macau.

Personal RMB banking services: The Group has maintained its market leadership in offering personal RMB banking services since launching the business in February. It was the first bank to offer a comprehensive range of RMB products and services, including deposits, exchange, remittances and cards. It also provides an extensive service network, comprising branches, ATMs, internet banking and telephone banking. RMB withdrawal services are made available via its 232 ATMs throughout Hong Kong. It pioneered the issuing of RMB credit cards in April and led the local RMB card business by having issued over 50,000 RMB cards at end-2004.

Channels: In order to optimise its branch network and align with its wealth management strategies, the Group continued to reorganise its distribution network. During the year, 7 branches were closed and 1 branch was opened in Hong Kong. As at end-2004, the total number of branches in Hong Kong was 283 and the number of ATMs was 447, as compared to 289 and 449 respectively at end-2003.

Good progress was made in strengthening the Group's e-business channels. During the year, new functions were incorporated in the Group's internet banking services, including new on-line wealth management services, transfers, RMB banking services and credit card payment services. By end-2004, the number of IT's Banking customers grew by 15% and the number of transactions doubled that in 2003.

Corporate Banking and Financial Institutions

Growing with a new business model: As one of the largest corporate lenders in Hong Kong, the Group is committed to becoming a close partner to customers by offering a comprehensive range of financial services to meet their specific needs. Capitalising on the strengths and capabilities that it possesses, it aims at expanding its market share and building its high-return business.

New business model: In 2004, the Group refined its customer and product management framework. The new business model is more customer-centric, emphasising that the development of business strategies appropriate for different customer segments so that the Group can become its customers' preferred banker. Under this model, corporate relationship managers have been re-organised in accordance with their industrial speciality to work closely with a team of product managers. The former specialises in customer relationship management whereas the latter's expertise is in product development. The two teams collaborate with each other to ensure that customers' needs are satisfied with the best products. This approach not only enables the Group to provide customers with quality products and services in a timely and cost-effective way, but also prepares it for new business opportunities.

Business development and asset quality improvement: The Group has maintained its competitive advantage in Corporate Banking business. In 2004, it was ranked by Basis Point, a leading source of Asian debt market news and analysis, as the second largest local syndicated lending arranger. Focusing on strengthening its trade finance services, the Group achieved high ratings in the service quality of import and export factoring at a competition organised by Factors Chain International, a global network of leading factoring companies. Despite intense market competition, the Group's trade bills transaction volume increased by 13%. Trade finance related loans also grew by 9.74%.

During the year, effective collection and write-off were implemented. By the end of 2004, the Group's overall corporate loan quality improved substantially as evidenced by the record low classified loan ratio and bad debt formation level since the Group's restructuring in 2001.

Channels: The Group undertook various initiatives to improve its product quality and operational efficiency. In February 2004, it launched the Financial Institutions Online, which allows correspondent banks to manage their accounts via internet. In May 2004, the CBS Online was rolled out, enabling corporate clients to manage their accounts via the internet. By the end of 2004, the number of CBS customers increased by 42%. These initiatives also facilitate the development of the Group's cash management business.

Clearing and settlement services: Appointed by the PBOC as the clearing bank for RMB business in Hong Kong, the Group launched RMB clearing services in February 2004, serving 38 participating banks. It was also appointed the agent bank for the HKD and USD RTGS Link between the Guangdong Province and Hong Kong in March. In July, the Group was nominated by the PBOC as the agent bank for the USD Joint Cheque Clearing Service between Shenzhen and Hong Kong.

China-related Business

Robust growth on a solid foundation: China-related business is one of the Group's core growth areas. The Group's China business model leverages its retail and corporate franchises in Hong Kong, branch network in the Mainland, and close relationship with BOC to provide cross border financial services to customers. The Group's Mainland branch network now acts as an extended arm of its Retail Banking and Corporate Banking business units. New organisational structure, market positioning, customer segmentation and product development strategy have been formulated to drive this new model. The Group has also been taking a new approach in cooperating with BOC in business development by providing complementary financial services to BOC's customers in both Hong Kong and the Mainland.

In 2004, the Group's China-related business continued to deliver good results. The combined operating profit before provisions of the Mainland branches increased by 22% to HK\$1417 million. Total advances to customers rose significantly by 53% to HK\$9,345 million while customer deposits grew by 17% to HK\$2,285 million. Asset quality improved considerably with the classified loan ratio falling to 3.26% at end-2004 from 10.35% at end-2003.

Risk management is fundamental to the business of the Group. It is also an integral part of its day-to-day operation and business development strategy. The principal types of risk inherent in the Group's business are credit risk, market risk, interest rate risk, liquidity risk, operational risk, strategic risk, reputation risk, and legal and compliance risk. The Group's risk management goal is to maximise its long-term risk-adjusted return on capital, to reduce volatility in earnings and to enhance shareholder value, while maintaining risk exposures within acceptable limits.

Risk Management Governance Structure

BOCHK's risk management policies are designed to identify and analyse credit risk, market risk, interest rate risk, liquidity risk and operational risk, to set appropriate risk limits, and to continually monitor these risks and limits by means of administrative procedures and information systems. BOCHK continually modifies and enhances its risk management policies and procedures to reflect changes in markets and products.

Regulatory Development

The New Basel Capital Accord

In June 2004, the Basel Committee released the New Basel Capital Accord (also referred to as Basel II). Basel II will be implemented globally by end-2006. All internationally active banks in the major financial markets around the world will follow Basel II. The HKMA has announced that local banks will follow the same timetable as the Basel Committee and Hong Kong is among the first to announce its implementation proposals.

The Group has formulated an implementation plan for Basel II according to the requirements of the Basel Committee and the HKMA. It is developing the required internal risk management system and conducting researches on the whole capital adequacy assessment process. The internal ratings-based approach will also be gradually adopted in the Group's business decisions. In 2005, the Group will closely follow the latest requirements relating to the Basel II set by the HKMA and carry out its implementation plan progressively.

CORPORATE GOVERNANCE

The Company believes in the upholding of the principles and practices of good corporate governance as the best means to ensure effective internal control and safeguard the interests of shareholders, customers and staff. It is also crucial to the healthy development of the Company in the long term. The Company strictly abides by the laws and regulations of the jurisdiction where it operates, and observes the guidelines and rules issued by regulatory authorities. It also strives to follow the latest international and local corporate governance best practices.

Corporate Governance Framework

With the Board at the core, the Company's corporate governance structure operates to high standards and is kept under constant review and reinforcement to maintain such standards. Under this governance structure, the role of the Board is to provide high-level guidance and oversight and is separate from that of the Management, which is devoted to the day-to-day operation and administration of the Company. The Board provides strategic guidance for the Company and maintains effective oversight over the Management.

To assist the Board in fulfilling its responsibilities and in accordance with best corporate governance practices, three standing committees have been established under the Board, namely, Audit Committee, Risk Committee, and Nomination and Remuneration Committee. A sub-committee known as Compliance Committee is also established under the Audit Committee. Ad-hoc committees will be set up to undertake special assignments as and when necessary. The Board and all Board committees will assess their respective work procedure and effectiveness on a regular basis in accordance with their mandate.

The Board delegates to the Chief Executive and his Management team the power to manage and administer the day-to-day affairs of the Company. At the same time, the Board gives clear guidance as to the powers of the Management, in particular with respect to the circumstances under which the Management shall report back to and obtain prior approval from the Board before making a decision or entering into any commitment on behalf of the Company. While the Chairman leads the Board, the Chief Executive is the head of the Management. The roles of the Chairman and the Chief Executive are separated and are performed by different individuals.

In order to enhance the transparency of the Company's corporate governance, a new corporate governance web-page is included in the Company's corporate website at www.bochk.com.

Board of Directors

The majority of the Board is made up of Non-executive Directors and Independent Non-executive Directors and the Board is assisted by a Senior Adviser. All Non-executive Directors, Independent Non-executive Directors and the Senior Adviser are appointed for a fixed term, with formal letters of appointment setting out the key terms and conditions relative to their appointment.

The Board currently comprises eleven Directors, of whom four are Independent Non-executive Directors, six are Non-executive Directors and one is Executive Director. Independent Non-executive Directors comprise more than one-third of the Board and include Directors with appropriate financial management expertise. The Company is therefore in full compliance with Rules 3.10(1) and (2) of the Listing Rules. Apart from Board members, the Board has also appointed an experienced and reputable Senior Adviser.

There is no relationship (including financial, business, family or other material/relevant relationships) among the Board members. It is expressly provided in the Board's mandate that, unless permissible under applicable laws or regulations, if a substantial shareholder or Director has a conflict of interest in the matter to be considered by the Board, he/she 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 matter shall be held to deliberate on the same.

Six board meetings were held during the year with an average attendance rate of 97%.

181,050	101,065	33	10
50	53	18	15
8,288	71,400	26	202
309,211	300,094	4,307	3,855
62	278		
21,877	17,582	2004	2003
7,826	8,842	HK\$'m	HK\$'m
796,776	762,587	3,049	3,069
34,780	31,460	241	246
34,440	41,347	3,281	3,316
631,330	600,642	226	213
3,788	2,432	301	310
22,898	25,289	198	209
727,016	701,170	725	732
1,239	1,156	585	611
52,864	52,864	24	29
15,657	7,397	16	9
68,521	60,261	864	961
66,760	61,417	5,505	5,658
796,776	762,587	2004	2003
		HK\$'m	HK\$'m

181,050	101,065	33	10
50	53	18	15
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68,521	60,261	864	961
66,760	61,417	5,505	5,658
796,776	762,587	2004	2003
		HK\$'m	HK\$'m

With a view to improving the overall human resources management, the Group launched a human resources management reform in July 2004, after reviews and inputs by the Nomination and Remuneration Committee. The Committee also reviewed the key performance indicators of the Group and senior management and the performance appraisal manual for senior management and recommended the same for approval by the Board.

Four committee meetings were held during the year with an average attendance rate of 90%.

Ad Hoc Committees

Three ad hoc committees, namely, Search Committee, Independent Board Committee and Budget Committee, were established by the Board during the year to deal with specific matters delegated by the Board.

Search Committee

The Board set up the Search Committee in August 2004 to conduct a global and open recruitment of candidates for the positions of deputy chief executive level and to recommend to the Nomination and Remuneration Committee and the Board for final approval. The Committee was chaired by Dr. Victor Fung Kwok King and comprised Mr. Sun Changli, Mr. Ho Guangboi, Mr. Shan Weijian, Mr. Tung Chee Chen and Mdm. Linda Tsao Yang. The Committee succeeded in recruiting Mr. Gao Yongxin as the Deputy Chief Executive in charge of corporate banking, Mr. Alex Cheung Yau Shing as the Chief Risk Officer, and Mr. Peter Liu Yun Kwan as the Chief Information Officer before the end of the year.

Independent Board Committee

An Independent Board Committee was set up in August 2004 to review and approve the continuing connected transactions between the Company and its subsidiaries on the one hand and members of the BOC Group (other than the Company and its subsidiaries) on the other hand. The Committee comprised all the Independent Non-executive Directors of the Company and was chaired by Mr. Tung Chee Chen. Although it was not required under the Listing Rules, the Independent Board Committee retained NM Rothschild & Sons (Hong Kong) Limited ("Rothschild") as the independent financial adviser to the Committee for the purpose of reviewing the continuing connected transactions. On the basis of Rothschild's affirmative advice and its own review, the Independent Board Committee was satisfied that the continuing connected transactions had been entered into in the ordinary and usual course of the Group's business on normal commercial terms.

Budget Committee

The Budget Committee was set up in August 2004 for the purpose of overseeing the budgeting and business planning process for 2005. The Committee comprised Mr. Zhou Zaijun and Mdm. Linda Tsao Yang. Recommendations made by the Committee was reviewed and accepted by the Board when finalising the Group's 2005 budget and business plan.

Directors' Securities Transactions

The Company has acquired a "Code for Securities Transactions by Directors" which is no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules. Having made specific enquiry of all Directors, the Directors confirmed that they have complied with the required standard set out in both the said Code and the Model Code throughout the year of 2004.

Auditors' Fees

The Company's 2004 accounts were audited by PricewaterhouseCoopers at a total audit fee of HK\$2.4 million. The said audit fee was approved by the Audit Committee and endorsed by the Board.

The Company incurred a fee of HK\$16 million for non-audit services provided by PricewaterhouseCoopers in 2004. The Audit Committee has been briefed of the non-audit services and fees and was satisfied that such non-audit services did not (in terms of the nature of the services and the amount of fees charged relative to the audit fees) affect the independence of PricewaterhouseCoopers. The non-audit services mainly comprised tax-related services, internal control review services in relation to the Tian Xing Jian Project and accounting consultation.

52,864	99	(2)	3,710	56,671	7,963
					(1)
			(2,273)	(2,273)	(2,062)
			(2,062)	(2,062)	(48)
					11
52,864	62	(3)	7,338	60,261	60,261
52,864	62	(3)	7,354	60,277	(16)
52,864	62	(3)	7,338	60,261	
			3,383	3,383	
			3,955	3,955	
			7,338	7,338	
52,864	62	(3)	11,963	60,261	(2)
			(3,383)	(3,383)	(3)
			(3,383)	(3,383)	3,524
			629	629	(6)
			(453)	(453)	
52,864	2,998	623	12,541	68,521	68,521
52,864	2,988	623	12,574	68,554	(3)
52,864	2,998	623	12,541	68,521	
			4,176	4,176	
			8,985	8,985	
			12,541	12,541	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Investment Premises properties
Share revaluation reserve Translation reserve
Share capital reserve HK\$'m HK\$'m HK\$'m

At 1 January 2003 52,864 99 (2) 3,710 56,671
Net profit for the year - - - 7,963 7,963
Currency translation difference (1) - - - (1)
2002 final dividend paid - - - (2,273) (2,273)
2003 interim dividend paid - - - (2,062) (2,062)
Revaluation of properties (48) - - - (48)
Release from deferred tax liabilities 11 - - - 11
At 31 December 2003 52,864 62 (3) 7,338 60,261

Company and subsidiaries
Associates

Representing:
2003 final dividend proposed
Others

Retained earnings as at 31 December 2003 7,338

At 1 January 2004 52,864 62 (3) 7,338 60,261
Net profit for the year - - - 11,963 11,963
Currency translation difference (2) - - - (2)
2003 final dividend paid - - - (3,383) (3,383)
2004 interim dividend paid - - - (3,383) (3,383)
Revaluation of properties 2,995 629 - - 3,524
Release upon disposal of properties (6) (6) - - (6)
Release to deferred tax liabilities (453) - - - (453)
At 31 December 2004 52,864 2,998 623 (5) 68,521

Company and subsidiaries
Associates

Representing:
2004 final dividend proposed
Others

Retained earnings as at 31 December 2004 12,541

Communication with Shareholders and Shareholders' Rights

The Board regards continuous communication with shareholders as an important part of its role. For such purpose, the Company's annual general meetings offer a valuable forum for the Board to communicate directly with shareholders who are encouraged to actively participate at such meetings.

The Chairman of the Board, the Risk Committee and the Nomination and Remuneration Committee respectively, members of the Audit Committee and representatives of PricewaterhouseCoopers were present at the Company's 2004 annual general meeting held on 21 May 2004 at the Hong Kong Convention and Exhibition Centre to respond to questions and comments raised by shareholders.

In order to enhance the transparency of shareholders' voting, all the resolutions proposed at the Company's 2004 annual general meeting were voted on by poll. The results of the poll voting were published in the press and on the Company's website on the next following business day, i.e., 24 May 2004.

The Company has also provided additional information on the 2005 annual general meeting in a circular to shareholders. This includes background information to the proposed resolutions, information on the meeting and information on voting and other issues relating to the 2005 annual general meeting in the form of "Frequently Asked Questions". This is done to ensure that shareholders have a better understanding of their rights and can make informed decisions in relation to the subject matters of the 2005 annual general meeting.

Project Tian Xing Jian

The Company is pleased to announce that the Tian Xing Jian Project has been substantially completed. The completion of the Tian Xing Jian Project represents an important milestone in the Company's corporate governance and serves as the foundation on which the Company can continue to reinforce its corporate governance to attain even higher standards of excellence.

2,116	1,470	2004	2003
(91)	(792)	HK\$'m	HK\$'m
152	55		
2,177	793		
(203)	(817)		
1,974	(24)		
139	600		
2,113	576		
17	11		
2,130	587		
2,131	589		
2,356	6,159		
1,655	4,098		
14,252	8,691		
2,494	1,521		
(2,069)	(41)		
1,937	1,518		
3	5		
(19)	(21)		
(64)	(217)		
1	2		
2,131	589		

The total assets and liabilities of the aforementioned partnerships are as follows:

Assets 2,356
Liabilities 1,655

The taxation on the Group's profit before taxation that differs from the theoretical amount that would arise using the taxation rate of Hong Kong is as follows:

Profit before taxation 14,252
Calculated at a taxation rate of 17.5% (2003: 17.5%) 2,494
Effect of different taxation rates in other countries (41)
Income not subject to taxation (2,069)
Expenses not deductible for taxation purposes 1,937
Tax losses not recognised 3
Temporary differences not recognised -
Utilisation of previously unrecognised tax losses (19)
Over-provision in prior years (64)
Tax benefits from partnerships (217)
Share of taxation attributable to associates 1
Taxation charge 2,131

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

The Group has entered into a number of aircraft leasing and coupon strip transactions involving special purpose partnerships. As at 31 December 2004, the Group's investments in such partnerships, which are included in "Other assets" in the consolidated balance sheet, amounted to HK\$13 million (2003: HK\$1,474 million). The Group's investments in partnerships are amortised over the life of the partnerships in proportion to the taxation benefits resulting from those investments.



5. Dividends

Table with columns for 2004 Per share (HK\$) and Total (HK\$m), and 2003 Total (HK\$m). Rows include Interim dividend paid, Proposed final dividend, and Total.

At a meeting held on 19 August 2004, the Board declared an interim dividend of HK\$0.320 per ordinary share for the year ended 31 December 2004 amounting to approximately HK\$4,178 million.

6. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders for the year ended 31 December 2004 of approximately HK\$1,983 million (2003: HK\$1,963 million).

7. Advances and other accounts

There was no dilution of earnings per share as no potential ordinary shares were in issue for the year ended 31 December 2004 (2003: Nil).

11. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Table showing reserves for 2004 and 2003. Columns include 2004 HK\$m, 2003 HK\$m, and 2003 HK\$m. Rows include Retained profits and other reserves, and Total.

12. Maturity profile

The maturity profile of assets and liabilities analysed by the remaining period as at 31 December to the contractual maturity dates is as follows:

Table showing maturity profile for assets and liabilities. Columns include 2004 1 year or less, 2004 1 year or over, and 2003 1 year or less, etc.

14. Segmental reporting

(a) By class of business. Replacement cost is the cost of replacing all contracts that have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking contracts to market.

Large table showing segmental reporting by class of business. Columns include Commercial banking, Treasury, Unallocated, and Consolidated. Rows include Net interest income, Operating expenses, and Assets.

Deferred tax assets and liabilities are offset on an individual entity basis when there is a legal right to set off current tax assets against current tax liabilities and when the deferred taxation relates to the same authority.

Table showing deferred tax assets and liabilities for 2004 and 2003. Columns include 2004 HK\$m, 2003 HK\$m, and 2003 HK\$m. Rows include Deferred tax assets (Note) and Deferred tax liabilities.

Note: This amount has been included in "Other assets".

Table showing deferred tax assets to be recovered after more than twelve months and Deferred tax liabilities to be settled after more than twelve months for 2004 and 2003.

11. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

Table showing reserves for 2004 and 2003. Columns include 2004 HK\$m, 2003 HK\$m, and 2003 HK\$m. Rows include Retained profits and other reserves, and Total.

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(a) By class of business. Replacement cost is the cost of replacing all contracts that have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking contracts to market.

Large table showing segmental reporting by class of business. Columns include Commercial banking, Treasury, Unallocated, and Consolidated. Rows include Net interest income, Operating expenses, and Assets.

The trading transactions include positions arising from dealing activities and positions arising from the execution of trade orders from customers or transactions taken to hedge those positions.

The replacement costs and credit risk weighted amounts of the above off-balance sheet exposures, which do not take into account the effects of bilateral netting arrangements are as follows:

Table showing replacement costs and credit risk weighted amounts for 2004, 2003, 2004, and 2003. Rows include Contingent liabilities and commitments, and Derivatives.

The contract or notional amounts of these instruments indicate the volume of transactions outstanding as at 31 December 2004 and 31 December 2003; they do not represent the amounts at risk.

The credit risk weighted amounts are the amounts that have been calculated in accordance with the Third Schedule of the Banking Ordinance and guidelines issued by the HKMA.

Replacement cost is the cost of replacing all contracts that have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking contracts to market.

Segmental reporting (a) By class of business. Replacement cost is the cost of replacing all contracts that have a positive value when marked to market (should the counterparty default on its obligations) and is obtained by marking contracts to market.

Large table showing segmental reporting by class of business. Columns include Commercial banking, Treasury, Unallocated, and Consolidated. Rows include Net interest income, Operating expenses, and Assets.



中銀香港(控股)有限公司
BOC HONG KONG (HOLDINGS) LIMITED

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

1. Capital adequacy ratio	2004	2003
Capital adequacy ratio	16.14%	15.11%
Adjusted capital adequacy ratio	16.13%	15.21%

The CAR is computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Third Schedule of the Banking Ordinance.

The adjusted CAR taking into account market risk exposure as at the balance sheet date is computed in accordance with the guideline on "Maintenance of Adequate Capital Against Market Risks" under the Supervisory Policy Manual issued by the HKMA and on the same basis as for the unadjusted CAR.

Components of capital base after deductions

The consolidated capital base after deductions used in the calculation of the above capital adequacy ratios as at 31 December 2004 and 31 December 2003 and reported to the HKMA is analysed as follows:

	2004	2003
	HK\$'m	HK\$'m
Core capital:		
Paid up ordinary share capital	43,043	43,043
Reserves	12,408	10,468
Profit and loss account	4,491	2,327
Minority interests	963	917
	60,905	56,755
Supplementary capital:		
General provisions for doubtful debts	5,049	4,997
Total capital base	65,954	61,752
Deduction from total capital base:		
Shareholdings in subsidiaries or holding company	(351)	(449)
Exposures to connected companies	(845)	(972)
Equity investments of 20% or more in non-subsidiary companies	(60)	(107)
Investments in the capital of other banks or other financial institutions	(1)	(1)
	(1,257)	(1,429)
Total capital base after deductions	64,697	60,323

3. Liquidity ratio

Average liquidity ratio	2004	2003
	36.83%	37.76%

The average liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio of BOCHK for the year.

The liquidity ratio is computed on the same basis (i.e. Hong Kong dollars only) and is in accordance with the Fourth Schedule of the Banking Ordinance.

4. Currency concentrations

The following is a summary of the major foreign currency exposures arising from trading, non-trading and structural positions. The net options position is calculated based on the worst-case approach set out in the prudential return "Foreign Currency Position" issued by the HKMA.

	2004					2003				
	US Dollars	Japanese Yen	Euro	Australian Dollars	Renminbi Yuan	US Dollars	Japanese Yen	Euro	Australian Dollars	Renminbi Yuan
Spot assets	228,533	21,041	16,591	21,532	13,129	14,189	315,246			
Spot liabilities	(157,764)	(2,896)	(7,865)	(23,701)	(2)	(12,282)	(208,378)			
Forward purchases	112,650	12,153	12,348	14,892	92	38,179	183,754			
Forward sales	(178,122)	(20,661)	(21,573)	(12,945)	(84)	(23,932)	(267,655)			
Net options position	(719)	8	32	53		238	12			
Net long/short position	458	(352)	(97)	(169)	179	655	74	878		
Net structural position						94				

Expressed in million of HK\$

claims are on an overseas branch of a bank whose head office is located in another country. Only regions constituting 10% or more of the aggregate cross-border claims are analysed by geographical area and disclosed as follows:

At 31 December 2004	Banks and other financial institutions		Public sector entities		Others		Total	
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Asia, other than Hong Kong	48,234	14,338	12,103	74,675				
- Mainland China	54,183	915	7,142	62,240				
- Others	102,417	15,253	19,245	138,915				
North America	6,043	26,051	15,866	47,980				
- United States	11,731	395	16	12,142				
- Others	17,774	26,446	15,802	60,122				
Western Europe	40,020	743	4,415	44,435				
- Germany	147,474	15,238	163,455					
- Others	187,494	743	19,653	207,890				
Total	307,685	42,442	54,800	404,927				

Notes:

- In August 2004, the PRC Government established Huijin to hold the entire equity capital of BOC on behalf of the State. Accordingly, for the purpose of the SFO, Huijin is deemed to have the same interests in the Company as BOC.
- BOC holds the entire issued share capital of BOCHK, which in turn holds the entire issued share capital of BOC (BV). Accordingly, BOC and BOCHK are deemed to have the same interests in the Company as BOC (BV) for the purpose of the SFO.
- BOC (BV) beneficially held 6,958,406,556 shares of the Company. BOC (BV) also holds 93.64% of the issued share capital of Hua Chiao 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, which in turn holds the entire issued share capital of BOC Life. Accordingly, for the purpose of the SFO, BOC is deemed to have the same interests in the Company as BOC Insurance and BOC Life, each of 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 521,464 shares of the Company and an interest in 3,518,840 shares held under physically settled equity derivatives.

All the interests stated above represented long positions. Save as disclosed above, as at 31 December 2004, no other interests or short positions were recorded in the register maintained by the Company under section 336 of the SFO.

COMPLIANCE WITH THE GUIDELINE ON "FINANCIAL DISCLOSURE BY LOCALLY INCORPORATED AUTHORIZED INSTITUTIONS"

The accounts for the year ended 31 December 2004 fully comply with the requirements set out in the guideline on "Financial Disclosure by Locally Incorporated Authorized Institutions" under the Supervisory Policy Manual issued by the HKMA.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

The Directors confirm that the Code of Best Practice of the Listing Rules has been complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2004. The said Code has been replaced by the Code on Corporate Governance Practices which came into effect on 1 January 2005. The Company will report on its compliance with the Code on Corporate Governance Practices in accordance with the applicable regulatory requirements in due course.

FINAL DIVIDEND

The Board has recommended a final dividend of HK\$0.305 per share, amounting to approximately HK\$4,176 million, subject to the approval of shareholders at the forthcoming Annual General Meeting to be held on Thursday, 25 May 2005. If approved, the final dividend will be paid on Tuesday, 31 May 2005 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 24 May 2005. Together with the interim dividend of HK\$0.320 per share declared in August 2004, the total dividend payout for 2004 would be HK\$0.715 per share.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed, for the purpose of determining shareholders' entitlement to the final dividend, from Thursday, 19 May 2005 to Tuesday, 24 May 2005 (both days inclusive), during which period no transfer of shares will be registered. In order to rank for the final dividend, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged 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, Hong Kong, not later than 4:00 p.m. on Wednesday, 18 May 2005. Shares of the Company will be traded ex-dividend as from Tuesday, 17 May 2005.

ADVANCES TO CUSTOMERS WITHIN OVERDUE AND NON-PERFORMING LOANS

(a) Overdue and non-performing loans	2004		2003	
	Amount	% of gross advances to customers	Amount	% of gross advances to customers
	HK\$'m		HK\$'m	
Gross advances to customers which have been overdue for:				
- six months or less but over three months	489	0.15%	977	0.31%
- one year or less but over six months	395	0.13%	2,521	0.82%
- over one year	4,465	1.45%	8,106	2.63%
Advances overdue for over three months	5,369	1.72%	11,604	3.76%
Less:				
- Amount overdue for over three months and on which interest is still being accrued	(61)	(0.02%)	(67)	(0.02%)

Note: Amount overdue for these months or less and on which interest is being placed in suspense or on which interest accrual has ceased - included in rescheduled advances - others

Gross non-performing loans

As at 31 December 2004	916	0.29%	798	0.26%
As at 31 December 2003	3,075	0.95%	5,497	1.78%
Other financial institutions that were overdue for over three months	9,239	2.95%	17,832	5.78%

As at 31 December 2004 and 31 December 2003, there were no advances to banks and other financial institutions that were overdue for over three months.

Other overdue assets

	2004	2003
Equipped in million of HK\$		
US Dollars	458	352
Japanese Yen	(352)	(97)
Euro	(169)	179
Australian Dollars	655	74
Renminbi Yuan	94	
Total	878	578

Expressed in million of HK\$

ANNUAL GENERAL MEETING
The 2005 Annual General Meeting will be held at 3:00 p.m. on Thursday, 26 May 2005 at Meeting Room 401, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong (please use Harbour Road Entrance). For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about 13 April 2005.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON STOCK EXCHANGE'S WEBSITE

A detailed results announcement containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules in force prior to 31 March 2004 will be published on the website of the Company (www.bocbk.com) and the Stock Exchange (www.hkex.com.hk) in due course.

DEFINITIONS

In this Results Announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

Terms	Meanings
"ATM(s)"	Automated Teller Machine(s)
"Board of Directors"	The Board of Directors of the Company
"BOC"	Bank of China Limited (formerly known as Bank of China), a state-owned commercial bank established under the laws of the PRC and a joint stock company with limited liability
"BOC (BVI)"	BOC Hong Kong (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of BOC/HKBC
"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
"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
"BOCHK"	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of the Company
"BOCHKG"	BOC Hong Kong (Group) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC
"BOCI"	BOC International Holdings Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOC
"CMF"	Capital Adequacy Ratio, computed on the consolidated basis, that is the ratio of the Company's capital resources to its assets as certified by the HKMA for its regulatory purposes and in accordance with the Third Schedule of the Banking Ordinance
"CBS"	Corporate Banking Services
"CEPA"	China Economic Partnership Arrangement
"Company"	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong
"GDP"	Gross Domestic Product
"Group"	The Company and its subsidiaries collectively referred to as the Group
"HSBC"	Hong Kong Interbank Offered Rate
"HKMA"	Hong Kong Monetary Authority
"HKSAAR" or "Hong Kong SAR"	Hong Kong Special Administrative Region
"Hua Chiao"	Hua Chiao Commercial Limited (in members' voluntary liquidation), a company incorporated under the laws of Hong Kong, in which BOC holds an equity interest of 95.64%
"Huijin"	Central Huijin Investment Company Limited
"IPO"	Initial Public Offering
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"The Mainland" or "Mainland China"	The mainland of the PRC
"Nanyang"	Nanyang Commercial Bank, Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOCHK
"NPL(s)"	Non-performing Loan(s)
"PBOC"	The People's Bank of China
"PRC"	The People's Republic of China
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RTGS"	Real Time Gross Settlement System
"SFO"	Hong Kong Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SSAP"	Statement of Standard Accounting Practice
"US"	The Stock Exchange of Hong Kong Limited in the United States of America

Hong Kong, 23 March 2005
As at the date hereof, the Board comprises Mr. XIAO GANG* (Chairman), Mr. SUN CHONGJI* (Vice-chairman), Mr. HE GUANGHAI* (Vice-chairman and Chief Executive), Mr. HUA GUOSHAN*, Mr. LI ZHENGBANG*, Mr. ZHOU ZHIFENG*, Mr. ZHANG YANLING*, Dr. FENG VICTOR KWOK KING*, Mr. SHAN WEIJIAN*, Mr. LUNG CHOE CHEN** and Ms. YANG LINDA TSOO*. Mr. NEOH Anthony Francis acts as the Senior Adviser to the Board.
* independent, non-executive directors
** independent, non-executive directors

(b) Other overdue assets

	2004	2003
Overdue for:		
- six months or less but over three months	2	2
- over one year	1	4

As at 31 December 2004 and 31 December 2003, other overdue assets represented the accrued interest.

(c) Rescheduled advances to customers

	2004	2003
Rescheduled advances to customers	974	951
% of gross advances to customers	0.31%	0.28%

Advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid. Advances repayable by regular instalments are classified as overdue when an instalment payment is overdue and remains unpaid. Advances repayable on demand are classified as overdue either when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction or when the advances have remained continuously outside the approved limit that was advised to the borrower.

Rescheduled advances are those advances that have been restructured or renegotiated because of a deterioration in the financial position of the borrower or of the inability of the borrower to meet the original repayment schedule and for which the revised repayment terms, either of interest or of repayment period, are non-commercial. Rescheduled advances, which have been overdue for more than three months under the revised repayment terms, are included in overdue advances. Rescheduled advances are stated after deduction of accrued interest that has been charged to customers but accrued to a suspense account and before deduction of specific provisions.

As at 31 December 2004 and 31 December 2003, there were no rescheduled advances to banks and other financial institutions.

8. Repressed assets held

	2004	2003
Repossessed assets held	1,185	1,757

Repossessed assets are properties or securities in respect of which the Group has acquired access or control (e.g. through court proceedings or voluntary actions by the borrowers concerned) for release in full or in part of the obligations of the borrowers. Upon repossession of the assets, the related loans and advances will continue to be recorded as loans and advances until all collection efforts have been exhausted and the repossessed assets are realised. Specific provisions will be made after taking into account the market value of the repossessed assets which are yet to be disposed. Upon disposal of the repossessed assets, any specific provisions previously made will be utilised to write off the loans and advances.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

On 5 July 2002, the following 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.

Particulars of the outstanding options granted to the Directors under the Pre-Listing Share Option Scheme as at 31 December 2004 are set out below:

Director	Exercise price (HK\$)	Date of issue (HK\$)	Number of shares	
			Exercisable on or after 1 January 2004	Lapsed/summed up during the year ending 31 December 2004
SUN Chongji	8.50	5 July 2002	1,500,000	1,500,000
HE Guanghai	8.50	5 July 2002	1,440,000	1,440,000
HUA Guoshan	8.50	5 July 2002	1,440,000	1,440,000
LI Zhenbang	8.50	5 July 2002	1,440,000	1,440,000
ZHOU Zhenfeng	8.50	5 July 2002	1,440,000	1,440,000
ZHANG Yanling	8.50	5 July 2002	1,440,000	1,440,000
FENG Victor Kwok King	8.50	5 July 2002	1,440,000	1,440,000
SHAN Weijian	8.50	5 July 2002	1,440,000	1,440,000
LUNG Choe Chen	8.50	5 July 2002	1,440,000	1,440,000

Equivalents in million of HK\$

	US Dollars	Japanese Yen	Australian Dollars	Macao Patacas	Renminbi Yuan	Others	Total
Spot assets	164,349	16,571	21,619	22,807	1,144	72,776	248,619
Spot liabilities	(142,187)	(3,049)	(11,011)	(23,388)	(2)	(35,261)	(214,697)
Forward purchases	125,065	14,802	13,252	20,289	-	36,246	209,396
Forward sales	(149,283)	(28,057)	(24,134)	(14,112)	-	(19,782)	(253,368)
Net options position	(974)	59	837	-	-	95	17
Net hedging position	(3,090)	67	(215)	635	151	(304)	(2,152)

Segmental Information

(a) Sectoral analysis of gross advances to customers

The information concerning gross advances to customers has been analysed into loans used inside or outside Hong Kong by industry sectors of the borrowers as follows:

	2004	2003
Loans for use in Hong Kong		
- Industrial, commercial and financial	21,323	23,181
- Property development*	47,809	46,754
- Financial investment	9,956	6,589
- Financial concerns	124	41
- Stockbrokers	15,243	17,679
- Wholesale and retail trade*	11,767	10,711
- Manufacturing*	11,777	12,383
- Transport and transport equipment*	30,035	38,521
- Others*	-	-
Loans for the purchase of flats in Hong Kong	17,430	18,244
- Loan for purchase of other residential properties	95,615	90,003
- Scheme and Tenants Purchase Scheme	3,756	3,756
- Loans for purchase of other residential properties	4,256	4,256
- Credit card advances	7,386	6,959
Total loans for use in Hong Kong*	272,721	274,801
Trade finance*	13,279	12,100
Loans for use outside Hong Kong	27,226	21,581
Gross advances to customers	313,226	308,582

* Certain comparative amounts have been restated to conform with the current year's presentation.

(b) Geographical analysis of gross advances to customers, overdue advances and non-performing loans

The following geographical analysis of gross advances to customers, advances overdue for over three months and NPLs is based on the location of the counterparties, after taking into account the transfer of risk in respect of such advances where appropriate.

(i) Gross advances to customers

	2004	2003
Hong Kong	286,768	285,129
Mainland China	11,166	6,434
Others	15,292	11,019
Total	313,226	308,582

(ii) Advances overdue for over three months

	2004	2003
Hong Kong	5,066	11,066
Mainland China	264	469
Others	39	69
Total	5,369	11,604

(iii) Non-performing loans

	2004	2003
Hong Kong	8,871	16,801
Mainland China	321	887
Others	47	144
Total	9,239	17,832

6. Cross-border claims

The information on cross-border claims discloses exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. In general, such transfer of risk takes place if the claims are guaranteed by a party in a country, which is different from that of the counterparty or if the

Date 24th March 2005

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中銀香港(控股)有限公司
BOC HONG KONG (HOLDINGS) LIMITED
(HK Stock Code: 2388) (ADR/OTC Symbol: "BHKL")

IN PURSUIT OF GROWTH & EXCELLENCE

Highlights of 2004 Annual Results

- Profit attributable to shareholders of HK\$11,963 million, up 50.23%
- Earnings per share of HK\$1.1315, up 50.23%
- Return on average shareholders' funds of 18.58%, up 4.96 percentage points
- Final dividend of HK\$0.395 per share subject to approval by shareholders
- Total dividend of HK\$0.715 per share for the year, up 38.83%
- Non-performing loan ratio of 2.95%, down 2.83 percentage points
- Total assets of HK\$796,776 million, up 4.48%



"In 2004, we succeeded in sustaining growth and maximizing shareholder value through a focused business strategy. Capitalizing on our strengths and Hong Kong's economic recovery, the Group delivered its highest profit attributable to shareholders and total annual dividend since its IPO in 2002. We also enhanced our corporate governance and carried out major corporate reforms. As a result, we are well positioned to take advantage of new opportunities that arise in 2005 from Hong Kong's economic upturn and the vibrant Mainland economy. We will continue to grow our businesses, expand our local and Mainland markets, and uphold our leadership in areas that we excel at."

Xiao Gang, *Chairman*

BOC Hong Kong (Holdings) Limited is a leading commercial banking group in Hong Kong offering a comprehensive range of financial products and services to retail and corporate customers. Our extensive branch network in Hong Kong and the Mainland of China allows us to meet the cross-border financial service needs of Hong Kong and Mainland customers.

For detailed information of the annual results, please visit www.bochk.com



BOC Hong Kong (Holdings) Limited
2004 Results – Financial Highlights

- Operating profit before provisions down 10.72% to HK\$10,352 million (HK\$11,595 million in 2003)
- Operating profit after provisions up 20.72% to HK\$11,980 million (HK\$9,924 million in 2003)
- Profit before taxation up 63.99% to HK\$14,252 million (HK\$8,691 million in 2003)
- Profit attributable to shareholders up 50.23% to HK\$11,963 million (HK\$7,963 million in 2003)
- Earnings per share up 50.23% to HK\$1.1315 (HK\$0.7532 in 2003)
- Final dividend of HK\$0.395 per share (Interim dividend of HK\$0.32 per share; total dividend of HK\$0.715 per share, up 38.83% over 2003)
- Return on average shareholders' funds up by 4.96 percentage points to 18.58% (13.62% in 2003)
- Return on average total assets up by 0.48 percentage points to 1.56% (1.08 % in 2003)
- Total assets up 4.48% to HK\$796,776 million (HK\$762,587 million at end-2003)
- Capital adequacy ratio 16.14% (15.11% at end-2003)
- Cost to income ratio 34.72% (32.79% in 2003)
- NPL ratio 2.95% (5.78% at end-2003)



Press Release
March 23, 2005

**BOC Hong Kong (Holdings) registered attributable profit of
HK\$11,963 million (up 50.23%), the highest since IPO**

BOC Hong Kong (Holdings) Limited ("the Company", stock code "2388"; ADR OTC Symbol: BHKLY) today announced its 2004 annual results. The Company and its subsidiaries ("the Group") recorded a consolidated profit attributable to shareholders of HK\$11,963 million, an increase of 50.23% compared with 2003. Earnings per share rose to HK\$1.1315 from HK\$0.7532 in 2003. "By capitalising on our strengths and Hong Kong's economic recovery, the Group was able to deliver the highest profit attributable to shareholders and total annual dividend since its IPO in 2002," remarked Mr Xiao Gang, Chairman of the Company.

The growth in the Group's profit was mainly attributable to a net provision write-back, gains on property revaluation, growth in non-interest income from wealth management business and disciplined cost control.

Return on average shareholders' funds grew by 4.96 percentage points to 18.58% while return on average total assets was up by 0.48 percentage point to 1.56%.

The Group's asset quality has shown substantial improvement. Both the non-performing loan (NPL) ratio and classified loan ratio dropped to 2.95%, down 2.83 and 2.87 percentage points respectively. This marked the lowest level of NPL ratio since 2001 when it was 10.99%.

The Board has recommended a final dividend of HK\$0.395 per share. This, together with the interim dividend of HK\$0.32 per share, results in a total dividend of HK\$0.715 per share, representing an increase of 38.83% compared to the year before and a dividend payout ratio of 63.19% for the year. The dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting on May 26, 2005 (Thursday). If approved, the final dividend will be paid on May 31, 2005 (Tuesday) to shareholders whose names appear on the Register of Members of the Company on May 24, 2005 (Tuesday).

Key Financial Performance

Operating profit before provisions was HK\$10,352 million, down by 10.72%. The persistently low interest rates environment during the year, coupled with subdued loan demand and intense competition, has led to a decline in net interest income to HK\$11,193 million. Net interest margin narrowed to 1.55% from 1.82% a year ago.

Other operating income increased by 6.51% to HK\$4,664 million. Net fees and commission rose to HK\$3,221 million, up by 7.47%, due to a growth of 28% in wealth management business, including income from life insurance, stock broking, and sales of bonds and structured notes. The ratio of non-interest income to total operating income was up by 4.03 percentage points, reaching 29.41% during the year.

The Group continued to exercise effective cost control and managed to improve overall operational efficiency. Operating expenses decreased by 2.7% to HK\$5,505 million. Cost to income ratio rose slightly by 1.93 percentage points to 34.72%, due to a decline in total operating income, but was still low by industry standard.

The Group's asset quality improved significantly in 2004. A net provision write-back of HK\$1,628 million was recorded in 2004, as compared to a net charge of HK\$1,671 million in 2003. New specific provision charge dropped by 60.35% to HK\$1,520 million, mainly attributable to lower bad debt formation as the Group's asset quality continued to improve through the enhancement of risk management. Releases in specific provisions were up by 141.02% to HK\$1,851 million as a result of the rise in collateral value and strong collection efforts by the Group. The quality of residential mortgage portfolio continued to improve with the delinquency and re-scheduled loan ratio dropping from 1.10% to 0.61%, lower than the market average. Credit card delinquency ratio fell from 0.75% to 0.38% and the charge-off ratio, from 8.86% to 3.96%, both outperforming the market.

The Group registered an increase in valuation of properties amounting to HK\$5,415 million in 2004, reflecting the growth in market value against the background of a rebound in the property market. This revaluation resulted in a credit to the profit and loss account of HK\$1,862 million.

Total assets amounted to HK\$796,776 million as at the end of 2004, an increase of 4.48%. Advances to customers increased slightly by 1.50% to HK\$313,226 million. However, if the NPLs were excluded, the performing loan portfolio actually grew by 4.6%.

Total liabilities registered an increase of 3.69% to HK\$727,016 million as at the end of 2004. Deposits from customers increased by 5.11% to HK\$631,330 million. Loan to deposit ratio fell from 51.38% to 49.61%.

The Group's capital strength remained solid. Capital adequacy ratio rose to 16.14% as at December 31, 2004 from 15.11% of a year ago. Average liquidity ratio was 36.03%, compared to 37.76% for 2003.

Comments by Mr Xiao Gang, Chairman

"In 2004, we continued to pursue with success our goal of sustaining growth and maximizing shareholder value through a focused business development strategy and enhanced corporate governance while keeping operating costs under control. We also embarked on major corporate reforms, paving the way for healthy development in the long run.

"Our retail banking and treasury businesses continued to perform satisfactorily as a result of an expanded wealth management clientele, increase in quality customers and higher demand for our innovative and customized services. On the corporate banking front, I am pleased to report that much progress has been made to de-risk our corporate lending portfolio, improve our loan mix and reduce the NPL ratio. We also performed our role impeccably as the clearing bank for personal RMB banking services in Hong Kong and remained the market leader in offering those services.

"The Group's management structure has been substantially strengthened. We have now a much stronger management team and operational structure that is in line with international best practices to ensure a high degree of corporate governance and accountability to stakeholders.

"Looking ahead, we are well positioned to take advantage of new opportunities that arise in 2005 from Hong Kong's economic upturn and the vibrant Mainland economy. We will continue to grow our business and expand our local and Mainland markets. Our goal is to pursue growth by maintaining a sharp competitive edge and by ensuring that we are relentless in our quest for excellence."

Comments by Mr He Guangbei, Vice Chairman and Chief Executive

"In terms of business performance, we made progress in a number of important areas in 2004. We succeeded in enlarging our deposit and lending portfolio while maintaining our edge and leading position in traditional businesses. As the sole RMB Clearing Bank in Hong Kong, we have ensured the smooth operation of RMB clearing services offered to the local banking sector since early 2004. We also pioneered the premier RMB services and have remained the local market leader. Our China-related business experienced healthy growth as we made use of our solid foundation to strengthen our presence in the Mainland market.

"The economic recovery that Hong Kong is experiencing seems likely to extend into 2005 and benefit more business sectors, giving rise to higher demand for loans as well as banking and financial services, though competition in the sector would remain intense.

"The Group's enhanced management structure and corporate reforms will give us an edge in competing for new business, sustaining revenue and profit growth and excelling ourselves in key areas in the coming year. With our achievements in 2004, we will continue to perfect our development strategy, business model, risk management and corporate culture. Our primary objective is to achieve higher top line growth and ensure better return for shareholders.

"For retail banking, we will continue to grow our wealth management products, credit card business and consumer lending. We are also determined to maintain our leadership in residential mortgage business by offering competitive and flexible products.

"For corporate banking, we will actively develop the SME business and grow trade finance and high-margin products while further improving the asset quality of our corporate loan portfolio.

"With immensely rich potential, the Mainland market will remain one of our major business focuses in the coming year. Leveraging our branch network in both Hong Kong and the Mainland as well as our cooperation with BOC, we have confidence in expanding our customer base and generate new business. Our capabilities and experience will also ensure our leadership in the RMB banking business.

"Internally, we will strive to enhance our human and technological capabilities as well as improve our operational efficiency and productivity."

- End -

About BOC Hong Kong (Holdings) Limited

BOC Hong Kong (Holdings) Limited (“the Company”) was incorporated in Hong Kong on 12 September, 2001 to hold the entire equity interest in Bank of China (Hong Kong) Limited (“BOCHK”), its principal operating subsidiary.

The Group is a leading commercial banking group in Hong Kong. With 283 branches and about 450 ATMs and other delivery channels in Hong Kong, the Group offers 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 and serves as a Chairman Bank of the Hong Kong Association of Banks on a rotational basis. In addition, the Group has 14 branches and sub-branches in the Mainland of China to provide cross-border banking services to customers in Hong Kong and the Mainland. BOCHK was appointed by the People's Bank of China as the only Renminbi (RMB) Clearing Bank in Hong Kong on 24 December 2003 and launched RMB clearing services on 25 February 2004.

The Company began trading on the main board of the Stock Exchange of Hong Kong on 25 July, 2002, with stock code “2388”, US OTC Symbol: “BHKLY”.

Media Enquiry: Ms Clarina Man (852) 2826-6175
 Ms Angel Yip (852) 2826-6159

Remarks: Copies of the press release on annual results may be obtained from the Corporate Communications Division, 13/F, Bank of China Tower, 1 Garden Rd, Central, Hong Kong.