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FUBON BANK (HONG KONG) LIMITED

(incorporated in Hong Kong with limited liability)

(Stock Code: 636)

CONTINUING CONNECTED TRANSACTIONS Business Co-operation Agreements between the Company, Fubon Credit and Taipei Fubon, Fubon Life, Fubon SIS and Fubon Securities

The Directors announce that, on 20 March, 2006, the Amendment Agreements were entered into by the Company and by Fubon Credit with the other members of the Fubon Group, pursuant to which, inter alia, the contractual thresholds for the annual aggregate consideration payable under the Business Co-operation Agreements (as described in the Company's announcement dated 23 February, 2005) and the SIS Agreement is proposed to be raised from HK\$10,000,000 to: HK\$15,000,000 in the period 23 February 2006 to 22 February 2007; HK\$20,000,000 in the period 23 February 2007 to 22 February 2008; and HK\$30,000,000 in the period 23 February 2008 to 22 February 2009 and for any further one-year terms.

Accordingly, the Business Co-operation Agreements and the SIS Agreement, as amended by the Amendment Agreements, constitute continuing connected transactions for the purposes of Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

A circular containing the particulars of the Amendment Agreements, a letter from the independent board committee, a letter from the independent financial adviser and a notice to convene the EGM will be despatched to the shareholders of the Company as soon as practicable.

1. CONNECTED PARTIES

Fubon Life, Fubon Securities, Fubon SIS and Taipei Fubon are each wholly-owned subsidiaries of Fubon. Fubon, holding approximately 75% of the issued shares of the Company, is a substantial shareholder of the Company. Therefore, Fubon Life, Fubon Securities, Fubon SIS and Taipei Fubon are each a connected person of the Company under the Listing Rules and, accordingly, the entering into and performance of the Fubon Life Business Co-operation Agreement, the Fubon Securities Business Co-operation Agreement, the SIS Agreement and the Company/Taipei Fubon Business Co-operation Agreement each constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.10 of the Listing Rules, transactions between a subsidiary of a listed issuer and a connected person of such listed issuer are connected transactions for the purposes of the Listing Rules. Fubon Credit is a wholly-owned subsidiary of the Company. Taipei Fubon is an associate of Fubon and Fubon is a substantial shareholder of the Company. Therefore, the entering into and performance of the Fubon Credit/Taipei Fubon Business Co-operation Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

2. PARTICULARS OF THE BUSINESS CO-OPERATION AGREEMENTS

On 23 February 2005 the Company entered into three of the Business Co-operation Agreements and Fubon Credit entered into the Fubon Credit/Taipei Fubon Business Co-operation Agreement, each with a member of the Fubon Group. Each Business Co-operation Agreement is for a fixed term of three years expiring on 22 February 2008. Each Business Co-operation Agreement states that the maximum aggregate annual consideration payable under the Business Co-operation Agreements is HK\$10,000,000. In the period 23 February 2005 to 22 February 2006, the aggregate consideration paid under the Business Co-operation Agreements was HK\$5,681,411. Further details of the Business Co-operation Agreements are set out in the Company's announcement dated 23 February 2005.

3. PARTICULARS OF THE SIS AGREEMENT

The SIS Agreement is a business co-operation agreement entered into between the Company and Fubon SIS on 4 October 2005 on similar terms to the Business Co-operation Agreements. As, at the time of entering into the SIS Agreement, the annual aggregate consideration payable thereunder was not expected to exceed HK\$1,000,000, pursuant to the de minimis exemption provided for under Listing Rule 14A.33(3), such agreement was not subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

4. BENEFITS OF THE BUSINESS CO-OPERATION AGREEMENTS AND SIS AGREEMENT

The Directors consider that the Business Co-operation Agreements and the SIS Agreement give the Company and Fubon Credit better access to Taiwanese customers with business interests in Hong Kong and who require banking and financial related services in Hong Kong. Further, the Company's customers with business interests in Taiwan will, under the Company/Taipei Fubon Business Co-operation Agreement, have greater access to Taiwanese banking and financial related services. This will also generate fee income for the Company. Therefore, the Directors consider it to be beneficial to the Company to be a party to the Business Co-operation Agreements and the SIS Agreement.

5. AGGREGATE CONSIDERATION PAYABLE UNDER THE BUSINESS CO-OPERATION AGREEMENTS AND THE SIS AGREEMENT

Fees are payable by the Company to other members of the Fubon Group under each of: (i) the Fubon Life Business Co-operation Agreement; (ii) the Fubon Securities Business Co-operation Agreement; and (iii) the SIS Agreement as a share of the fee income derived from the referral of business to the Company by each relevant member of the Fubon Group.

Under the Company/Taipei Fubon Business Co-operation Agreement, fees are payable by the Company and Taipei Fubon to each other in consideration of each referring business to the other.

Under the Fubon Credit/Taipei Fubon Business Co-operation Agreement, commissions are payable by Fubon Credit to Taipei Fubon for the referral of customers to Fubon Credit and further fees are payable by Fubon Credit to Taipei Fubon for support services provided by Taipei Fubon in relation to customers it refers to Fubon Credit.

The aggregate annual value of the Business Co-operation Agreements and the SIS Agreement, for the purposes of Listing Rule 14A.35(2), is the aggregate sum of the consideration payable per annum under the Business Co-operation Agreements and the SIS Agreement by: (i) the Company; (ii) Fubon Credit; and (iii) Taipei Fubon.

6. PARTICULARS OF THE AMENDMENT AGREEMENTS

The Amendment Agreements were executed on 20 March 2006 by each of: (i) the Company and Fubon Life; (ii) the Company and Taipei Fubon; (iii) the Company and Fubon Securities; (iv) Fubon Credit and Taipei Fubon in respect of the Business Co-operation Agreements; and by (v) the Company and Fubon SIS in respect of the SIS Agreement. The Amendment Agreements are conditional upon the approval of the independent shareholders of the Company. Upon the Amendment Agreements becoming unconditional, (i) the term of each Business Co-operation Agreement and the SIS Agreement is amended such that each shall terminate on 22 February 2009 unless renewed by the agreement of both parties for any further one-year terms; and (ii) the aggregate consideration payable under the Business Co-operation Agreements and the SIS Agreement will be subject to an annual cap of: HK\$15,000,000 in the period 23 February 2006 to 22 February 2007; HK\$20,000,000 in the period 23 February 2007 to 22 February 2008; and HK\$30,000,000 in the period 23 February 2008 to 22 February 2009 and for any further one-year terms.

Further, upon the Amendment Agreements becoming unconditional, the Company/Taipei Fubon Business Co-operation Agreement is amended such that, in relation to any customer introduced by Taipei Fubon's financial services division to the Company, any fee income arising from the sale of Investment Products (as defined in the Company/Taipei Fubon Business Co-operation Agreement) to such customer pursuant to an agreement entered into on or after 1 January 2006 shall be shared by the Company and Taipei Fubon equally. The Company/Taipei Fubon Business Co-operation Agreement currently states that such fee income shall be shared between the Company and Taipei Fubon in the ratio of 30:70 and the Company is of the view that the amendment of such ratio by the relevant Amendment Agreement would more fairly represent the intra-group relationship between the Company and Taipei Fubon and bring such fee income sharing arrangement in line with the other three Business Co-operation Agreements relating to the sale of investment products (namely, the Fubon Life Business Co-operation Agreement, the Fubon Securities Business Co-operation Agreement and the SIS Agreement, which all state that such fee income is to be shared equally amongst the parties).

The Fubon Credit/Taipei Fubon Business Co-operation Agreement does not relate to the sale of investment products. The Fubon Credit/Taipei Fubon Business Co-operation Agreement sets out the terms upon which Fubon Credit pays a referral commission of 1% to Taipei Fubon on loans executed by customers referred to it by Taipei Fubon and sets out the fees to be paid by Fubon Credit to Taipei Fubon for the support services provided by Taipei Fubon to Fubon Credit in relation to customers it refers to Fubon Credit. The referral commission is proposed to be amended to 0.5% and the fees payable to Taipei Fubon for support services are also proposed to be amended under the relevant Amendment Agreement as in the table below:

Consultation	HK\$100 per case
Witness of document	HK\$500 per case
Registration of charge over assets	HK\$300 per case
Support services in relation to collateral	HK\$300 per case

7. REASONS FOR ENTERING INTO, AND THE BENEFITS OF, THE AMENDMENT AGREEMENTS

Based on the projections described in the section headed "8. CAPS ON ANNUAL AGGREGATE CONSIDERATION", the Directors expect that the annual aggregate consideration payable under the Business Co-operation Agreements and the SIS Agreement to exceed the threshold of HK\$10,000,000. In the period 23 February 2005 to 22 February 2006, the aggregate consideration paid under the Business Co-operation Agreements and the SIS agreements is HK\$5,681,411. Therefore, to allow the benefits of the Business Co-operation Agreements and the SIS Agreement (as described in section 4 of this announcement) to continue to accrue to the Company, the caps on the annual consideration payable under the Business Co-operation Agreements and the SIS Agreement would be revised to: HK\$15,000,000 in the period 23 February 2006 to 22 February 2007; HK\$20,000,000 in the period 23 February 2007 to 22 February 2008; and HK\$30,000,000 in the period 23 February 2008 to 22 February 2009 and for any further one-year terms.

The terms of the Amendment Agreements have been reached after arms length negotiation between the parties thereto. The Directors of the Company (excluding the independent non-executive Directors whose views will be set out in the circular to be despatched to the shareholders of the Company) are of the view that the terms of the Business Co-operation Agreements and the SIS Agreement as amended by the Amendment Agreements (including the amendments to the annual caps referred to therein and as described in section 6 of this announcement) are entered into in the ordinary and normal course of business of the Company, on normal commercial terms and that they are fair and reasonable and in the interests of the Company and the shareholders as a whole.

8. CAPS ON ANNUAL AGGREGATE CONSIDERATION

The caps proposed under the Amendment Agreements on the annual aggregate consideration payable under the Business Co-operation Agreements and the SIS Agreement have been determined by reference to the projected annual level of Services to be entered into under the Business Co-operation Agreements and the SIS Agreement in the next three financial years based on the actual level of Services entered into in the period 23 February 2005 to 22 February 2006 and with the Company having taken into account the business development objectives reflected in the Company's 2006 financial budget which was formally approved by the Board of Directors of the Company on 5 December 2005. Further, in determining the reasonableness of the projected amounts the Company has made direct reference to the net profit of the Company for the year ended 31 December 2005, as stated in the Company's results announcement of 1 March 2006. Also taken into consideration was (A) the Fubon Group's knowledge of the past demand for financial services in Hong Kong of the Fubon Group's customers, (B) the size and nature of the Fubon Group's customer base with known business interests in Hong Kong, (C) the Company's knowledge of the past demand for financial services in Taiwan of the Company's customers, and (D) the size and nature of the Company's customer base with known business interests in Taiwan.

The projections were also made on the principal underlying assumptions that, for the duration of the projected period, (i) the business of the Company and Fubon Credit and the Fubon Group remains consistent with previous patterns, (ii) there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which materially affect the business of the Company, Fubon Credit or the Fubon Group, and (iii) the industries in which the Company, Fubon Credit and the Fubon Group operate remain stable.

If in the opinion of the Company and its Directors, any of the annual caps stated in this announcement are expected to be exceeded, independent shareholders' approval for the revision of such caps will be sought by the Company before such caps are exceeded.

9. REQUIREMENTS OF THE LISTING RULES

In the period 23 February 2005 to 22 February 2006, the aggregate consideration paid under the Business Co-operation Agreements and the SIS Agreement was less than HK\$10,000,000. As the annual aggregate consideration payable after 22 February 2006 under the Business Co-operation Agreements and the SIS Agreement as amended by the Amendment Agreements is expected to exceed the HK\$10,000,000 threshold stipulated in Listing Rule 14A.34, the entering into of the Amendment Agreements is subject to the reporting, announcement and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Pursuant to Listing Rule 13.39(6), an independent board committee will be established to advise the shareholders of the Company, and an independent financial adviser will be appointed to advise the independent board committee and the shareholders, on whether the terms of the Business Co-operation Agreements and the SIS Agreement as amended by the Amendment Agreements and the caps proposed under the Amendment Agreements are fair and reasonable and in the interests of the shareholders of the Company as a whole.

A circular containing the particulars of the Amendment Agreements, a letter from the independent board committee, a letter from the independent financial adviser and a notice to convene the EGM will be despatched to the shareholders of the Company.

10. COMPLIANCE WITH THE LISTING RULES

The Company will continue to comply with the relevant rules of Chapter 14 and Chapter 14A of the Listing Rules in relation to any extension after 22 February 2009 of any of the terms of the Business Co-operation Agreements or SIS Agreement.

11. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY, FUBON CREDIT AND THE FUBON GROUP

11.1 The Company

The Company is authorised by the Hong Kong Monetary Authority pursuant to section 16 of the Banking Ordinance to carry on banking business in Hong Kong. The Company is principally engaged in banking, securities broking and other financial related services to corporate and individual customers in Hong Kong including credit card services, personal loans, investment banking, corporate banking and treasury services. Fubon currently holds approximately 75% of the issued shares of the Company and is, therefore, a substantial shareholder of the Company.

11.2 Fubon Credit

Fubon Credit is authorised by the Hong Kong Monetary Authority pursuant to section 16 of the Banking Ordinance as a deposit-taking company in Hong Kong. Fubon Credit, a wholly-owned subsidiary of the Company, is principally engaged in hire purchase and leasing transactions pursuant to which it provides its customers with machinery and equipment financing.

11.3 Fubon Life

Fubon Life is principally engaged in the provision of life assurance services in Taiwan. Fubon Life is a wholly-owned subsidiary of Fubon.

11.4 Fubon Securities

Fubon Securities is principally engaged in the provision of financial services relating to securities in Taiwan. Fubon Securities is a wholly-owned subsidiary of Fubon.

11.5 Taipei Fubon

Taipei Fubon was formed as a result of a merger between Fubon Commercial Bank Co., Ltd and TaipeiBank Co., Ltd with effect from 1 January 2005. Taipei Fubon is principally engaged in banking and other financial related services to corporate and individual customers in Taiwan. Taipei Fubon is a wholly-owned subsidiary of Fubon.

DEFINITIONS

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

“Amendment Agreements”	the amendment agreements entered into on 20 March 2006 by each of: (i) the Company and Fubon Life; (ii) the Company and Taipei Fubon; (iii) the Company and Fubon Securities; (iv) Fubon Credit and Taipei Fubon in respect of the Business Co-operation Agreements; and by (v) the Company and Fubon SIS in respect of the SIS Agreement.
“Business Co-operation Agreements”	the Company/Taipei Fubon Business Co-operation Agreement, the Fubon Credit/Taipei Fubon Business Co-operation Agreement, the Fubon Life Business Co-operation Agreement and the Fubon Securities Business Co-operation Agreement
“Company”	Fubon Bank (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange. Fubon holds approximately 75% of the issued shares of the Company
“Company/Taipei Fubon Business Co-operation Agreement”	the business co-operation agreement between the Company and Taipei Fubon dated 23 February 2005
“EGM”	Extraordinary General Meeting of the Company
“Fubon”	Fubon Financial Holding Co., Ltd., a company incorporated in the ROC

“Fubon Credit/Taipei Fubon Business Co-operation Agreement”	the business co-operation agreement between Fubon Credit and Taipei Fubon dated 23 February 2005
“Fubon Credit”	Fubon Credit (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, being a wholly-owned subsidiary of the Company
“Fubon Group”	the Company, Fubon Life, Fubon Securities, Fubon SIS and Taipei Fubon
“Fubon Life”	Fubon Life Assurance Co., Ltd., a company incorporated in the ROC, and a wholly-owned subsidiary of Fubon
“Fubon Life Business Co-operation Agreement”	the business co-operation agreement between the Company and Fubon Life dated 23 February 2005
“Fubon Securities”	Fubon Securities Co., Ltd., a company incorporated in the ROC, and a wholly-owned subsidiary of Fubon
“Fubon Securities Business Co-operation Agreement”	the business co-operation agreement between the Company and Fubon Securities dated 23 February 2005
“Fubon SIS”	Fubon Securities Investment Services Co., Ltd., a company incorporated in the ROC, and a wholly-owned subsidiary of Fubon
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“ROC”	means the Republic of China
“Services”	the services to be provided under the Business Co-operation Agreements and the SIS Agreement by members of the Fubon Group to the Company and Fubon Credit, or vice versa
“SIS Agreement”	the business co-operation agreement between the Company and Fubon SIS dated 4 October 2005
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Taipei Fubon”	Taipei Fubon Commercial Bank Co., Ltd., a company incorporated in the ROC, and a wholly-owned subsidiary of Fubon

By order of the Board of
Fubon Bank (Hong Kong) Limited
Ivan Young
Company Secretary

Hong Kong, 20 March 2006

As of the date of this announcement, the Company's Directors comprise Jin-Yi Lee (Managing Director and Chief Executive Officer), Fan Sheung Yam, Horace as Executive Directors; Ming-Hsing (Richard) Tsai (Chairman), Ming-Chung (Daniel) Tsai (Vice Chairman), Wing-Fai Ng, Victor Kung, Jesse Ding as Non-Executive Directors; and Robert James Kenrick, Moses Tsang, Hung Shih as Independent Non-Executive Directors.

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