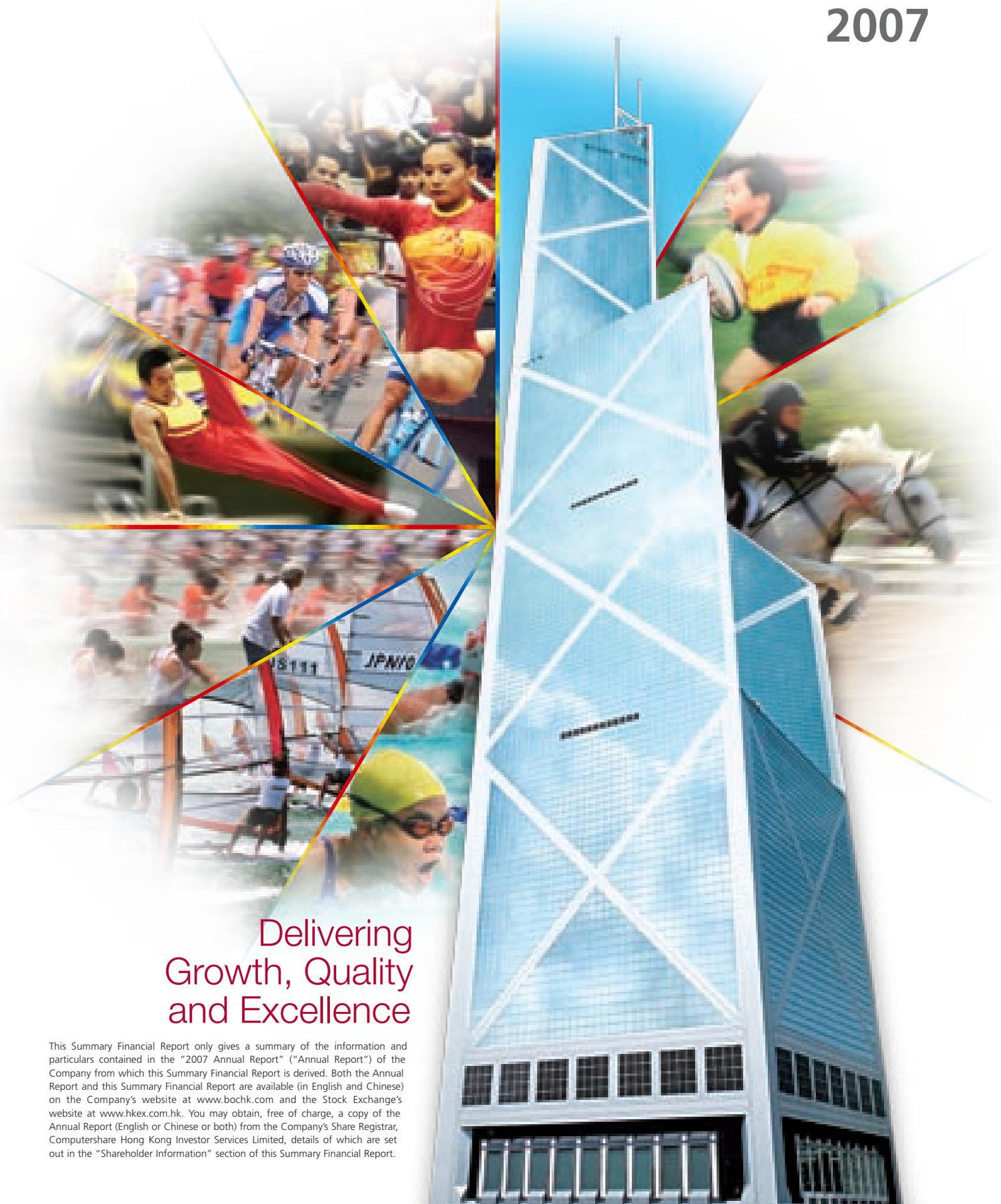




中銀香港(控股)有限公司  
BOC HONG KONG (HOLDINGS) LIMITED

Stock Code: 2388

SUMMARY FINANCIAL REPORT  
**2007**



Delivering  
Growth, Quality  
and Excellence

This Summary Financial Report only gives a summary of the information and particulars contained in the "2007 Annual Report" ("Annual Report") of the Company from which this Summary Financial Report is derived. Both the Annual Report and this Summary Financial Report are available (in English and Chinese) on the Company's website at [www.bochk.com](http://www.bochk.com) and the Stock Exchange's website at [www.hkex.com.hk](http://www.hkex.com.hk). You may obtain, free of charge, a copy of the Annual Report (English or Chinese or both) from the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, details of which are set out in the "Shareholder Information" section of this Summary Financial Report.



## OUR VISION

# TO BE YOUR PREMIER BANK

Combining the initials of mission  
and core values, we have

## BOC SPIRIT

## OUR MISSION

**Build**  
customer satisfaction  
and provide quality  
and professional  
service

**Offer**  
rewarding career  
opportunities and  
cultivate staff  
commitment

**Create**  
values and deliver  
superior returns to  
shareholders

## OUR CORE VALUES

**Social Responsibility**  
We care for and contribute to our communities

**Performance**  
We measure results and reward achievement

**Integrity**  
We uphold trustworthiness and business ethics

**Respect**  
We cherish every individual

**Innovation**  
We encourage creativity

**Teamwork**  
We work together to succeed

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## Theme

In 2007, the Group made significant progress in implementing our 2006-2011 strategic plan. We not only achieved encouraging results in our major business areas but also delivered record earnings.

To welcome the 2008 Beijing Olympic Games, we selected several sport photos from the "Welcome to the Olympics – BOCHK Dynamic Action" Photo Competition for the cover and dividers of our annual report. The kaleidoscope of sport images presents energetic aspects of life in Hong Kong while demonstrating the theme of the Olympic spirit, which is "Swifter, Higher, Stronger".

Going forward, the Group will continue to maximise our value for shareholders by reinforcing our core competencies and delivering growth in our businesses.



北京2008合作伙伴  
BEIJING 2008 PARTNER

**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. Bank of China Limited holds a substantial part of its interests in the shares of the Company through BOC Hong Kong (BVI) Limited, an indirect wholly owned subsidiary of Bank of China Limited.

BOCHK is a leading commercial banking group in Hong Kong. With over 280 branches and 450 ATMs and other delivery channels in Hong Kong, BOCHK and its subsidiaries offer a comprehensive range of financial products and services to retail and corporate customers. BOCHK is one of the three note issuing banks in Hong Kong. In addition, BOCHK and its subsidiaries have 15 branches and sub-branches in the Mainland of China to provide cross-border banking services to customers in Hong Kong and the Mainland. BOCHK is appointed by the People's Bank of China as the Clearing Bank for Renminbi (RMB) business in Hong Kong.

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

*Shareholders may elect in writing to receive Annual Report or Summary Financial Report (as the case may be) for all future financial years by applying to the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, details of which are set out in the "Shareholder Information" of this Summary Financial Report.*

*This Summary Financial Report is available in both English and Chinese. A copy prepared in the language different from that in which you have received is available by writing to the Company's Share Registrar.*

*If you have any queries about how to obtain copies of the Company's Annual Report or Summary Financial Report or how to access those documents on the Company's website, please call the Company's hotline at (852) 2846 2700.*



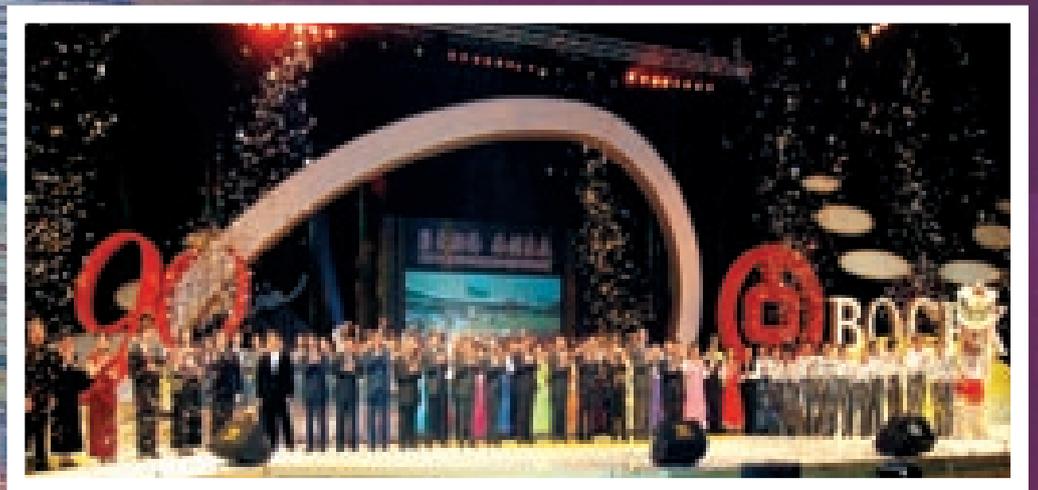
2007 witnessed the 90th anniversary of our service in Hong Kong. Over this long period of time, the Group has developed along with Hong Kong. We have been through the ups and downs and shared the fruitful results. In celebration of our 90th anniversary, we have organised a series of events to mark the milestone of the Group. Here are some snapshots to share with you.



A Gala Evening with José Carreras presented by the Hong Kong Philharmonic Orchestra in early January unveiled the launch of our 90th anniversary celebration activities.



We sponsored the 90 Young Athletes Olympic Tour – Talented Young Hong Kong Athletes Beijing Olympic Exchange Tour, which provided an invaluable opportunity for the young Hong Kong athletes to learn the great achievement of sports development in our Motherland.



The specially designed exterior lighting of BOC Tower for our 90th anniversary

We have specially designed a spectacular variety show held at AsiaWorld-Expo to share the joy with our 13,000 staff.



At our 90th Anniversary Celebration Reception, our Chairman Mr Xiao Gang (fifth from right of 1st row) joined hands with The Hon. Donald Tsang, Chief Executive of the HKSAR (middle of 1st row), and Mr Gao Siren, Director of the Liaison Office of the Central People's Government in the HKSAR (fifth from left of 1st row), to officiate at the lighting ceremony.



*Committed to Building a Better Tomorrow – Exhibition in commemoration of the 90th Anniversary of the Bank of China in Hong Kong held at BOC Tower showcased the course of the Bank's development and growth.*



# FINANCIAL HIGHLIGHTS

	2007 HK\$'m	2006 HK\$'m	Change +/(-)%
<b>For the year</b>			
Net operating income before impairment allowances	27,254	21,309	27.90
Operating profit	18,033	16,545	8.99
Profit before taxation	19,126	17,139	11.59
Profit for the year	15,817	14,284	10.73
Profit attributable to the equity holders of the Company	15,446	14,007	10.27
<b>Per share</b>			
	HK\$	HK\$	+/(-)%
Earnings per share	1.4609	1.3248	10.27
Dividend per share	0.9150	0.8480	7.90
<b>At year-end</b>			
	HK\$'m	HK\$'m	+/(-)%
Capital and reserves attributable to the equity holders of the Company	92,842	84,655	9.67
Issued and fully paid share capital	52,864	52,864	–
Total assets	1,067,637	928,953	14.93
<b>Financial ratios</b>			
	%	%	
Return on average total assets <sup>1</sup>	1.53	1.56	
Return on average capital and reserves attributable to the equity holders of the Company <sup>2</sup>	17.40	17.02	
Cost to income ratio	28.52	30.78	
Loan to deposit ratio <sup>3</sup>	51.66	49.32	
Average liquidity ratio <sup>4</sup>	50.92	50.46	
Capital adequacy ratio <sup>5</sup>	13.08	13.99	

1. Return on average total assets =  $\frac{\text{Profit for the year}}{\text{Daily average balance of total assets}}$

2. Return on average capital and reserves attributable to the equity holders of the Company  
=  $\frac{\text{Profit attributable to the equity holders of the Company}}{\text{Average of the beginning and ending balance of capital and reserves attributable to the equity holders of the Company}}$

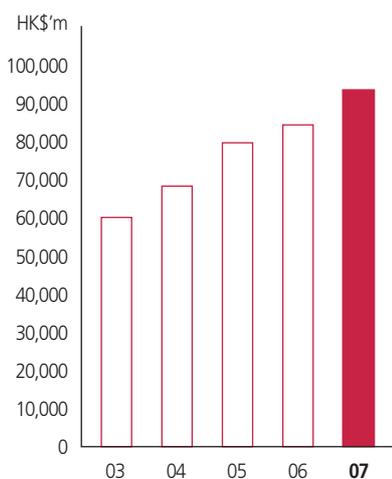
3. Loan to deposit ratio is calculated as at year end. Loan represents gross advances to customers. Deposit also includes structured deposits reported as "Financial liabilities at fair value through profit or loss".

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

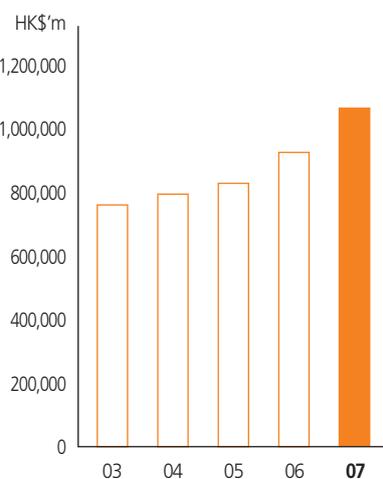
5. Capital adequacy ratio as at 31 December 2007 is computed on the consolidated basis that comprises the positions of BOCHK and certain subsidiaries specified by the HKMA for its regulatory purposes and in accordance with the Banking (Capital) Rules effective from 1 January 2007. The comparatives as at 31 December 2006 are computed in accordance with the Third Schedule of the Banking Ordinance. They are not restated on the ground that different approaches are used to calculate the Group's capital requirements for the years ended 31 December 2007 and 2006.

6. Certain comparative amounts have been reclassified to conform with the current year's presentation.

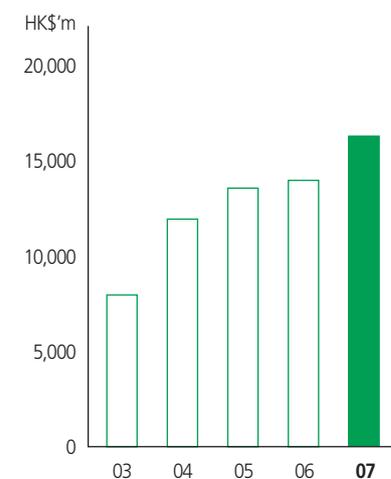
## Capital and reserves attributable to the equity holders of the Company



## Total assets



## Profit attributable to the equity holders of the Company



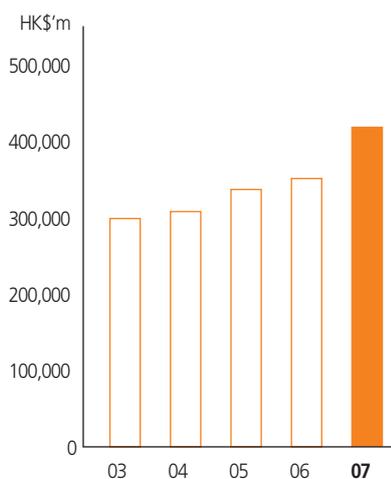
## FIVE-YEAR FINANCIAL SUMMARY

The financial information of the Group for the last five years commencing from 1 January 2003 is summarised below:

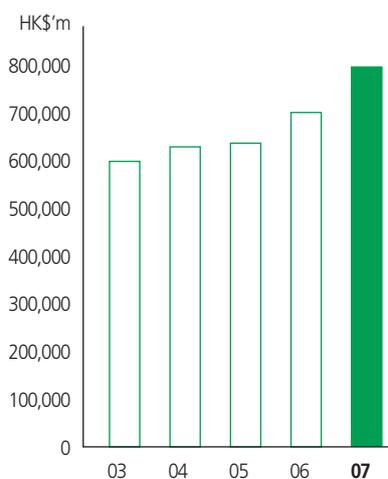
For the year	2007 HK\$'m	2006 HK\$'m	2005 <sup>3</sup> HK\$'m	2004 <sup>4</sup> HK\$'m	2003 <sup>4</sup> HK\$'m
Net operating income before impairment allowances	27,254	21,309	18,158	15,909	17,252
Operating profit	18,033	16,545	15,052	12,184	9,821
Profit before taxation	19,126	17,139	16,502	14,252	8,691
Profit for the year	15,817	14,284	13,856	12,121	8,102
Profit attributable to the equity holders of the Company	15,446	14,007	13,596	11,963	7,963
<b>Per share</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
Earnings per share	1.4609	1.3248	1.2859	1.1315	0.7532
<b>At year-end</b>	<b>HK\$'m</b>	<b>HK\$'m</b>	<b>HK\$'m</b>	<b>HK\$'m</b>	<b>HK\$'m</b>
Advances and other accounts	420,234	352,858	338,403	309,211	300,094
Total assets	1,067,637	928,953	831,002	796,776	762,587
Daily average balance of total assets	1,032,577	915,900	831,789	776,792	752,058
Deposits from customers <sup>1</sup>	799,565	703,776	639,031	631,330	600,642
Total liabilities	972,579	842,313	749,289	727,016	701,170
Issued and fully paid share capital	52,864	52,864	52,864	52,864	52,864
Capital and reserves attributable to the equity holders of the Company	92,842	84,655	79,935	68,521	60,261
<b>Financial ratios</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Return on average total assets	1.53	1.56	1.67	1.56	1.08
Cost to income ratio	28.52	30.78	31.75	34.72	32.79
Loan to deposit ratio <sup>1</sup>	51.66	49.32	52.27	49.61	51.38

- Since 2005, deposits from customers also include structured deposits reported as "Financial liabilities at fair value through profit or loss".
- On 1 January 2005, a number of new and revised HKFRSs and HKASs came into effect. The resulting changes in accounting treatment and presentation of various income statement and balance sheet items may render certain comparative figures for the years 2003 and 2004 not strictly comparable.
- In June 2006, the Company acquired a 51% shareholding of an under common control entity, BOC Life. The financial statements have been prepared in accordance with the principles of merger accounting as set out in Accounting Guideline 5 "Merger accounting for common control combinations" issued by the HKICPA. The comparative amounts for the year 2005 have been restated in accordance with the principles for merger accounting to present the result and assets of the Group as if such combination had occurred from the date when the Company and BOC Life first came under common control.
- The financial information prior to 2005 had not been restated to reflect the adoption of merger accounting upon the acquisition of BOC Life as the difference before and after restatement is insignificant.
- Certain comparative amounts have been reclassified to conform with the current year's presentation.

### Advances and other accounts



### Deposits from customers



# *SWIFTER, HIGHER,*

Welcome the Year of  
the Olympics With Joy



# ***STRONGER***

China Development Bank issued the first-ever RMB bonds in Hong Kong. Bank of China (Hong Kong) was one of the Joint Lead Managers and Bookrunners of this transaction.





The year of 2007 was a successful year for the Group. We have made notable progress in the implementation of our 2006-2011 strategic plan and produced encouraging results in our major business areas. The marked performance was underpinned by our strong commitment to being a top-quality financial services group with a powerful base in Hong Kong, a solid presence in China and a strategic foothold in the region.

Net operating income before impairment allowances surged by 27.9% to HK\$27,254 million while operating profit before impairment allowances increased by 32.1% to HK\$19,481 million. While achieving strong business growth, we have also faced challenges in our treasury investments amid the volatile financial market. We have proactively managed our investment portfolio and taken some write-downs on the Group's asset-backed securities. Despite the write-downs, the Group's profit attributable to shareholders rose by 10.3% from 2006 to HK\$15,446 million while earnings per share were up 10.3% to HK\$1.4609, achieving another record level since its listing.

The Group's financial position remains healthy. Total assets reached HK\$1,067.6 billion, up 14.9%, a milestone for the Group. Our loan quality remained excellent as our classified or impaired loan ratio further improved to 0.44% while our classified loan ratio was consistently lower than market. Capital adequacy ratio at end-2007 was 13.08%. Exposure to US subprime asset-backed securities had been significantly reduced to HK\$4.1 billion from HK\$12.8 billion at the end of June.

The Board is recommending a final dividend of HK\$0.487 per share at the Company's Annual General Meeting on 20 May 2008. That, together with the interim dividend of HK\$0.428 per share, will mean a total dividend of HK\$0.915 per share for fiscal 2007, representing an increase of 7.9% versus HK\$0.848 per share for fiscal 2006. The Group's 2007 total dividend payout as a percentage of profit attributable to shareholders will be 62.6%.

With our enhanced business platform, we have successfully captured the business opportunities arising from a robust economy in Hong Kong. In 2007, the Hong Kong economy remained generally upbeat and sustained above-trend growth, fuelled by private consumption, exports of merchandise

and services, business investment, tourism and an active financial market. However, inflationary pressure was being felt more acutely due to strong domestic demand and the effect of imported inflation.

2007 was the second year in which BOCHK implemented its strategic plan for 2006-2011. Under our Relationship-Product-Channel (RPC) Model, we actively reinforced our business platform by consolidating existing businesses, enhancing our innovative capability and focusing on service quality. Our efforts to innovate, integrate and execute with an aim at better serving the customers' needs paid off handsomely. We saw impressive growth in both net interest income and net fees and commission income. Loans to both corporate and individual customers registered encouraging growth, particularly, higher yielding loans including trade finance, SME loans and lending through our Mainland operation. We have also reinforced our leading market positions in residential mortgage, loan syndication and Hong Kong RMB banking business.

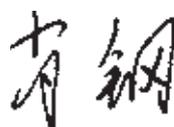
Our net fees and commission income also increased substantially, mainly driven by robust growth in investment and insurance fee income benefiting from the buoyant stock market and IPO activities. We also made significant progress in building the Group's product manufacturing and distribution capabilities. During the year, we continued to broaden our product platform and introduced our own branded treasury and QDII products, private placement and custodian services. We also enhanced our cash management services platform.

In December 2007, our indirect wholly owned subsidiary, Nanyang Commercial Bank (China) Limited ("NCB China"), was established and commenced operation in Shanghai. NCB China will consolidate and spearhead our expansion into the Mainland RMB retail banking market. Its commencement of operation represents a vital landmark in the Group's strategic focus to offer comprehensive banking services to local Chinese enterprises and individuals as well as to Hong Kong and overseas customers with banking needs in China.

Looking forward, we expect 2008 will be a year full of opportunities as well as challenges. While we should be alert to the increasing uncertainty confronting the global credit market and the US economy, we also believe that Hong Kong's banking and financial services sector is likely to benefit from positive developments in China. To

succeed, we will remain agile in responding to the changing market environment and the needs of our customers. We will continue to maximise shareholder value by delivering growth and enhancing our business capabilities. We will also capitalise on our relationship with our parent bank, Bank of China (BOC) and our presence in the Mainland to capture emerging business opportunities. This is evidenced by the Group's recent appointment by the BOC Group as the principal bank for its Asia-Pacific Loan Syndication Centre. This development will help solidify the Group's leading position in corporate banking and loan syndication while giving us an added advantage in extending our reach to markets in the Asia-Pacific region outside Hong Kong and China. As a member of BOC Group, we are also honoured to support the Beijing Olympic Games and share in the pride that everyone has for the world's most important sporting event.

Last year was the 90th anniversary of the establishment of BOC in Hong Kong. In retrospect, we take considerable pride in what we have achieved. Since its listing in 2002, the Company has been actively strengthening its corporate governance framework and business platform to deliver sustaining growth in its operating results and to enhance shareholder value. The consistently strong performance of the Group in recent years is a tribute to the Management team and our staff force as a whole. In this connection, I would like to extend my heartfelt gratitude to our employees for their dedicated efforts and intelligence. I am grateful to my fellow Board Members who are tireless in their contributions to our vision and governance. On behalf of the entire organisation, I wish to express my appreciation to our shareholders and customers for their continued support. I am confident that as we continue to build on our strengthened foundation, together with the Board's wise counsel and the support of our stakeholders, we have every reason to believe in the Group's continued success.



**XIAO Gang**  
Chairman

25 March 2008

2007 witnessed the 90th year of our operation and the fifth anniversary of the Group's public listing in Hong Kong. In the year under review, we once again achieved encouraging business growth as we pushed forward with our strategic plan for 2006-2011. Having reinforced our business model and core competencies, we made significant progress in expanding our major businesses, particularly the high-yield segments, and capturing new business opportunities arising from the economic upturn.

## Key Business Achievements

Let me first highlight our major business achievements in 2007.

- We accomplished or exceeded our growth targets on nearly all business fronts, with improvements in our key financial ratios.
- Broad-based growth was achieved in our core lending business, coupled with an advancement in our credit structure. In particular, we witnessed sturdy performance in high-yield segments such as trade finance, SME loans and Mainland lending.
- In our established business areas, we managed to maintain our market leadership and growth momentum, including loan syndication, residential mortgage and RMB banking services in Hong Kong.
- We substantially expanded our personal banking segment by boosting the growth of wealth management, retail stock brokerage and insurance service.
- Exceptionally strong growth was recorded in net fees and commission income by drastically expanding the investment and insurance segments.
- In the Mainland market, we sped up the growth of income and profit, expanded our business scope, strengthened our presence and commenced the operation of NCB (China).
- We enhanced our asset and liability management and widened our net interest margin.
- The implementation of the Relationship-Product-Channel (RPC) model, launched in early 2007, has been highly successful as witnessed by the strength of our business platform in driving organic growth and new product development while further improving our workflow, operational efficiency and service quality.
- We continued to pursue high standards of corporate governance, risk management and internal control.

## Financial Performance

Thanks to the robust economic environment in our major markets and underpinned by our internal strengths, we were able to achieve remarkable business performance across the board. Net operating income before impairment allowances increased by 27.9% to HK\$27,254 million. Operating profit before impairment allowances grew by 32.1% to HK\$19,481 million.

Despite a significant reduction in net loan impairment write-back and the charges for impairment allowances on securities investments amid the volatile financial markets, our earnings continued to grow at a steady pace during the year. Profit attributable to shareholders grew by 10.3% to HK\$15,446 million. Earnings per share increased by 10.3% to HK\$1.4609.

Return on average total assets (ROA) and return on average shareholders' funds (ROE) were 1.53% and 17.40% respectively, versus 1.56% and 17.02% respectively for 2006. As a reflection of strong growth in our business, ROA and ROE before impairment allowances rose by 0.28 percentage point and 4.03 percentage points to 1.89% and 21.95% respectively.

The Group's net interest income increased by 22.5% to HK\$19,395 million due, firstly, to the growth in interest-earning assets and, secondly, to the widening of net interest margin. The Group's average interest-earning assets saw a healthy growth of 12.3% which

was driven by both the expansion of its lending business and the increase in customer deposits. Our efforts in facilitating loan growth paid off well, with loans and advances to customers up by 19.0% year-on-year to HK\$413,062 million. While maintaining our market leadership in residential mortgage and loan syndication, we effectively expanded the high-margin segments such as trade finance, SME loans and Mainland lending.

Against the backdrop that market interest rates became more volatile and the yield curve steepened in the latter part of the year, we succeeded in widening the Group's net interest margin due to an improved asset mix, better management in funding costs as well as higher investment yield. As net interest spread generally improved, our net interest margin widened to 2.07% from 1.90% of 2006.

Our strenuous effort in expanding the Group's fee-based income was rewarding. Net fees and commission income grew strongly, surging by 68.8% to HK\$6,274 million, attributable primarily to the robust performance of the Group's stock brokerage segment. On the back of an active stock market and having enhanced our e-channels for retail customers, we boosted stock transaction volume substantially by 187.5%. Stock brokerage commission increased by 157.4% to HK\$3,560 million. At the same time, by promoting our asset management business, we saw an impressive growth of 115.5% in related fee income as the sales of open-end funds surged by 125.8%. Fee income from the sales of bonds also increased by an impressive 101.0% after the introduction of private placement services which drove up the sales of structured notes by 195.8%.

Net trading income fell by 35.4% to HK\$1,013 million as a result of a decrease of 28.1% in net trading income from foreign exchange and foreign exchange-related products. Should we exclude the net trading loss of foreign exchange swap contracts which arose from the Group's funding activities, the income from other foreign exchange activities would have gone up by 26.8%.



We continued to exercise a high degree of prudence in managing costs while equipping ourselves sufficiently for business growth and service enhancement. The Group's total operating expenses for 2007 increased by 18.5% to HK\$7,773 million. This was due partly to our continued investment in human resources and technology and partly to salary adjustment to maintain the competitiveness of our remuneration package in the market. Notwithstanding such increases, our cost-to-income ratio was 28.52% (versus 30.78% in 2006), which was low by industry standards.

The Group's total assets increased by a healthy 14.9% to top the HK\$1,000 billion mark and reached HK\$1,067.6 billion by end-2007. Customer deposits increased by 13.6% to HK\$799,565 million. With effective risk management and internal control, the Group's loan quality improved further. Classified or impaired loan ratio declined by 0.13 percentage point to 0.44%.

The Group's capital and liquidity positions remained strong. Consolidated capital adequacy ratio was 13.08% at the end of 2007, versus 13.99% (based on Basel I) at end-2006. Average liquidity ratio stood at 50.92% for the year of 2007, as compared with 50.46% for 2006. Our exposure to US sub-prime asset-backed securities was reduced significantly to HK\$4.1 billion as at 31 December 2007, versus HK\$12.8 billion as at 30 June 2007.

### Business Review

The performance of our various major business streams in 2007 reflects the prowess of the Group's new business model and enhanced operating platforms in driving income and profit growth.

### Personal Banking

The Group's Personal Banking business continued to expand and posted strong growth in 2007. Most strikingly we improved our income base by drastically increasing fees and commission income from stock brokerage, sales of funds and bonds, etc. while maintaining healthy growth in net interest income.

Net operating income before impairment allowances rose by a strong 40.0% to HK\$14,075 million. Net interest income went up by 16.3% to HK\$8,144 million with the growth of mortgage loans and other consumer lending. Other operating income soared by 94.5% to HK\$5,931 million as a result of the 106.5% growth in net fees and commission income. Profit before taxation increased by 58.0% to HK\$8,129 million.

The surge in fees and commission income was the result of the Group's effort in driving the growth of investment and insurance agency services through product innovation and service enhancement. To capture demand arising from the robust stock market, the Group actively promoted its stock brokerage service during the year. By reinforcing our internet and telephone banking service platform, we grew the stock brokerage business considerably by 187.5%, which was led by the 287.4% increase via automated channels. As the receiving bank for most of the large-scale IPOs in Hong Kong over the previous year, our IPO-related fees and commission income increased by 75.0%. Meanwhile, our product offerings have been expanded to meet customers' demand for more sophisticated investment products. As a result, the sales of structured notes rose by 195.8% while the sales of open-end funds grew by 125.8%. We also recorded an impressive sales growth of 45.2% in life insurance products through initiatives in product manufacturing, brand building, marketing and service enhancement. All in all, the Group's investment and insurance fee income saw a strong growth of 143.7% in 2007.

The local property market continued to revive during the year, giving rise to the demand for mortgage loans. In response, we promoted our mortgage services aggressively with a wider range of innovative mortgage products to serve the diverse needs of customers, thus growing our residential mortgage business by 9.9% year-on-year, versus the market average of 5.4%. In 2007, we have maintained our position as the market leader in mortgage business.

The wealth management segment also posted impressive results in 2007 as we placed special emphasis on customer stratification and expanded our service portfolio targeting high net-worth customers. We launched private placement services in early 2007 to offer wealth management customers various investment choices. Our brokerage service in bonds was also enhanced. Meanwhile we engaged in innovative marketing campaigns and upgraded our service quality through more vigorous staff training. By the end of the year, the number of wealth management customers and the amount of assets under our management were up significantly by 68% and 46% respectively.

The credit card segment continued to grow in terms of card issuance, cardholder spending and merchant acquiring volume, which increased by 10.2%, 24.1% and 32.3% respectively year-on-year. We owed these encouraging results to our innovative efforts in product

development, marketing and system upgrade. Aside from expanding in the local market, we made a strategic move by forming a joint venture, BOC Services Company Limited, between BOC-CC and BOC in November to provide back-end support to BOC Group Bank Card in the Mainland, which will give us an advantage in developing card business in China.

We remained the market leader and further expanded our RMB banking business in Hong Kong. By end-2007, our RMB deposits grew by 41.3% year-on-year. We led the market in RMB credit card issuance and RMB card merchant acquiring businesses as well as other RMB-related banking services. With the further expansion of RMB banking business in Hong Kong, we commenced the RMB bond service in June 2007 that comprises subscription, custody and coupon collection. Furthermore, we acted as the joint lead manager, bookrunner and placing bank for the RMB bonds issued by all the three Mainland banks in Hong Kong last year.

To cope with business growth and to improve service quality, we continued to optimise our branch network by setting up more wealth management centres to serve high net-worth customers. Our internet and telephone banking platform was further reinforced to support the growth of automated stock trading.

### Corporate Banking

Corporate Banking business delivered solid growth and optimised its business structure in 2007. While maintaining our market leadership in loan syndication, we focused on expanding the high-margin segments for better returns.

Net operating income before impairment allowances increased by a healthy 14.5% to HK\$7,669 million. Net interest income went up by 14.6% to HK\$5,739 million due mainly to loan growth in various segments. Other operating income grew by 14.4% to HK\$1,930 million benefiting from the increases in loan and bills commission income as well as in fees income from both trust and payment services. Owing to a significant reduction in net release of loan impairment allowances, profit before taxation fell by 5.0% to HK\$6,526 million.

The Group continued to be the top arranger in the loan syndication market covering Hong Kong, Macau and the Mainland of China. One of the syndicated loans we arranged was ranked among the top three financing projects in the Asia-Pacific region in 2007. In this connection, I am pleased to report that in early

2008 BOCHK has been appointed by the BOC group as the principal bank for its Asia-Pacific Loan Syndication Centre. This appointment enhances our position in loan syndication and facilitates us in reaching out to the Region.

The Group recorded outstanding growth in its IPO financing business. Spurred by the robust stock market and our own intense marketing effort, our IPO financing volume grew by 162.1% to HK\$528 billion covering some 48 newly listed entities.

In accordance with our strategic plan, we put emphasis on growing the high-margin segments and improving our loan mix with great success in 2007. By refining our SME business model, establishing a SME marketing team, streamlining the credit approval procedure and strengthening product innovation, we attained an impressive growth of 32.2% in SME lending. At the same time, through our intensive marketing and sales effort, the outstanding balance of trade finance and the volume of trade bills increased by 43.9% and 22.9% respectively, of which SMEs accounted for an increased proportion.

In terms of new business development, we have made much headway in cash management and custody services. A cash management team has been set up to take charge of product development and marketing. In 2007, we embarked on cross-border cash management projects for large Mainland enterprises seeking global expansion. Concurrently, we have established a custody business team to provide securities settlement and custody services for institutional clients and Qualified Domestic Institutional Investors (QDIIs). Relevant service platforms have been put in place for local custody, global custody and escrow services.

### Mainland Business

Our Mainland branches registered remarkable results in 2007. Operating profit before impairment allowances increased by HK\$200 million or 53.5%. Total advances to customers were up by 60.9% to HK\$30 billion, of which RMB loans increased by 194.2%. Customer deposits increased by 48.4% to HK\$5.8 billion. Loan quality remained good with the classified loan ratio standing at 0.68%. The business scope of our branch network in China continued to expand. Of our 15 branches and sub-branches in the Mainland, 12 have been permitted to conduct RMB business (except for Mainland residents) while 13 have been qualified as QDIIs. During the year, we formed strategic alliances with a number of insurance companies to develop insurance agency business in China. Moreover, we

introduced a number of QDII products that were met with enthusiastic response from Mainland customers.

The Group's wholly-owned subsidiary Nanyang Commercial Bank (China) Limited – NCB (China) in short – was officially incorporated in China on 14 December 2007 and commenced operation at its Shanghai headquarters as from 24 December 2007. This is a milestone for the Group on its way to attaining a solid presence in China as NCB (China) is an integral part of the Group's dualistic approach in developing its Mainland business. It will offer comprehensive banking services in China while BOCHK and Chiyu Banking Corporation remain foreign-funded banks focusing on corporate banking and foreign exchange businesses in China.

### Treasury

The Group's Treasury business continued to grow by diversifying its investment portfolio, expanding its product offerings and capturing new demand.

Net operating income before impairment allowances increased by 18.0% to HK\$6,075 million, due primarily to the 33.2% rise in net interest income which was attributable to the growth of surplus funds and higher investment yield. Other operating income decreased by 72.3% to HK\$206 million, caused mainly by the net trading loss from foreign exchange swap contracts and lower net trading income from interest rate instruments and commodities. Profit before taxation decreased by 28.3% to HK\$3,315 million. Impairment allowances of HK\$2,133 million have been provided for the Group's portfolio of US asset-backed securities.

In view of the increasing volatility in the market, the Group closely monitored its asset and liability structure as well as the movements of credit spread. Appropriate investment strategies were adopted to grow the return on surplus funds. In addition, we captured a substantial chunk of the local IPO business during the year. In our role as receiving bank for 36 IPOs, we managed a total of over HK\$1,900 billion in IPO-related funds.

We expanded our treasury product portfolio with concrete results. We embarked on a notes programme by issuing the first batch of structured notes in February 2007. Our equity warrants were also launched and are now traded on the Stock Exchange of Hong Kong. These products have attracted keen response from customers. To further diversify our product range and solidify our position in the local RMB market, we stepped up the marketing of RMB non-deliverables forward contracts.

### Insurance

The Insurance segment achieved satisfactory growth in 2007 by enhancing its product offerings and service quality.

Net operating income before impairment allowances increased by a strong 58.2% to HK\$378 million. Net interest income surged by 66.6% to HK\$788 million due mainly to increased investment in debt securities made possible by significant growth in premium income. Other operating income grew by 40.6% to HK\$9,030 million with higher net insurance premium income. Profit before taxation increased by 50.0% to HK\$261 million.

The synergy effect expected of the acquisition by the Group of BOC Life in 2006 was becoming increasingly evident. Supported by the Group's extensive distribution network and through product innovation, service enhancement, and brand building, we not only heightened income and profit but also strengthened our market position and captured a larger market share in the insurance business.

### Outlook

Looking ahead, we are cautiously positive about the economic prospects of our two major markets – Hong Kong and the Mainland – in 2008. The Hong Kong economy is forecast to sustain stable GDP growth as investor and consumer sentiments remain favourable. Continued improvement in the local labour market and household income will be

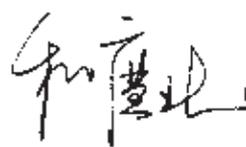
conducive to consumer spending, property sales and the demand for banking services. Across the border, the Chinese economy is expected to stay on a healthy growth track and give rise to fresh business opportunities for Hong Kong. However, we will not underestimate the negative impact of the higher degree of uncertainty hovering over the global credit market in general and the US economy in particular. The investment market and interest rate movements would likely be subject to greater volatility. At the same time, inflationary pressure is expected to persist with internal demand and imports, thus resulting in higher operating costs – something we need to manage more proactively.

We are now into the third year of our 2006-2011 strategic plan. Our priority this year is to make the most of our successfully implemented RPC model to fortify our leading market position in Hong Kong. We will take advantage of our significantly reinforced customer relationship platforms to drive growth in product distribution through cross-selling. We will leverage our enhanced product manufacturing capabilities to develop and diversify our service portfolio. With better channel utilisation and workflow, we are now in a better position to achieve more effective marketing and sales.

Given the momentum and the good results achieved in the past year, we will strive to maintain our lead in the Group's strong segments, including mortgage lending, loan syndication and RMB banking services in Hong Kong. We will focus on further improving our loan structure by growing high ROE segments, including SME loans, trade finance, as well as personal loans and credit card business. By exploiting our enhanced customer platform and segmentation, we aim to drive the growth of wealth management services for high net-worth customers. We will also solidify our market position in fast growing areas such as investment and insurance agency services and place special emphasis on increasing non-interest income.

The Mainland sector is expected to grow in importance in the Group's development. Now that NCB (China) is in full swing, we will expand our services to customers and identify suitable locations in targeted cities to enlarge our branch network in China. At the same time, we will continue to forge closer cooperation with BOC for business development and mutual gains. In the area of personal banking, we will introduce our wealth management services to Mainland customers and expand our credit card business. On the corporate banking front, with initial success in 2007, our key emphases in the coming year are to grow our cash management and custodian services in collaboration with BOC and play an active role as service provider for big corporations, institutional clients and QDIIs in the Mainland. BOC Services Company Limited, our new joint venture with BOC, will help us strengthen bank card-related service and support in the rapidly growing Mainland market. By leveraging our position as the principal bank for BOC's Asia-Pacific Loan Syndication Centre, we will work closely with BOC to explore business opportunities in the Region.

In concluding, I wish to thank the Board of Directors for their guidance. I also wish to extend my heartfelt appreciation to my Management team and all the staff for their commitment and ingenuity that have enabled us to deliver growth, quality and excellence year after year.



**HE Guangbei**  
*Vice Chairman & Chief Executive*

Hong Kong, 25 March 2008

## The Launch Ceremony of Great Olympic



# SWIFTER,

In celebration of the 500-day countdown to Beijing Olympic Games, we launched a host of "Great Olympic Offers", including deposit, mortgage, commercial lending and credit card services, to our customers.



# HIGHER, STRONGER

Welcome the Year of  
the Olympics With Joy



# MANAGEMENT'S DISCUSSION AND ANALYSIS

The following sections provide an analysis of the Group's performance, financial position, and risk management. These should be read in conjunction with the financial statements included in the Annual Report.

## PERFORMANCE MEASUREMENT

The Group delivered satisfactory results in 2007. The following table highlights the Group's financial performance in terms of earnings, dividend payout, cost efficiency, asset growth, loan quality, and capital strength. These encouraging results can be attributed to the successful execution of the Group's strategic plan for 2006-2011, and the generally favourable economic environment.

Financial Indicators	Performance	Result Highlights
Earnings	<ul style="list-style-type: none"> <li>Operating profit before impairment allowances increased by 32.1% to HK\$19,481 million.</li> <li>Profit attributable to shareholders increased by 10.3% to HK\$15,446 million.</li> </ul>	<ul style="list-style-type: none"> <li><b>Both operating profit before impairment allowances and profit attributable to shareholders: record highs since IPO</b></li> </ul>
ROE <sup>1</sup> and ROA <sup>2</sup>	<ul style="list-style-type: none"> <li>ROE and ROA were 17.40% and 1.53% respectively.</li> <li>ROE and ROA before impairment allowances rose by 4.03 percentage points and 0.28 percentage point to 21.95% and 1.89% respectively.</li> </ul>	<ul style="list-style-type: none"> <li><b>ROE: 17.40%</b></li> <li><b>ROA: 1.53%</b></li> </ul>
Dividend payout ratio	The proposed final dividend plus the interim dividend represent a total payout ratio of 62.6%, which is within the range set out in the Group's dividend policy.	<ul style="list-style-type: none"> <li><b>2007 full year dividend per share: up 7.9%</b></li> </ul>
Net interest income and net interest margin	<ul style="list-style-type: none"> <li>Net interest income increased by 22.5% to HK\$19,395 million.</li> <li>Net interest margin rose from 1.90% in 2006 to 2.07% in 2007 mainly due to the improvement in net interest spread.</li> </ul>	<ul style="list-style-type: none"> <li><b>Net interest income up 22.5%</b></li> <li><b>Net interest margin: 2.07%</b></li> </ul>
Non-interest income <sup>3</sup>	Non-interest income was up 43.6%, primarily driven by investment-related agency fee income. Non-interest income to operating income <sup>4</sup> ratio increased by 3.15 percentage points to 28.84% due to a higher growth rate in non-interest income relative to net interest income.	<ul style="list-style-type: none"> <li><b>Non-interest income to operating income ratio: 28.84%</b></li> </ul>
Cost efficiency	Cost-to-income ratio dropped further by 2.26 percentage points to 28.52% as increase in operating income outpaced that of operating expenses. Operating income increased by 27.9% while operating expenses increased by 18.5%.	<ul style="list-style-type: none"> <li><b>Cost-to-income ratio: 28.52%, well below the market average</b></li> </ul>
Total assets	<ul style="list-style-type: none"> <li>Total assets increased by 14.9% to HK\$1,067.6 billion as total deposits from customers grew by 14.2% to HK\$793.6 billion.</li> </ul>	<ul style="list-style-type: none"> <li><b>Total assets: up 14.9%</b></li> </ul>
Loan quality	<ul style="list-style-type: none"> <li>Formation of new classified loans<sup>5</sup> remained at a low level, being less than 0.3% of total loans.</li> <li>Classified or impaired loan<sup>6</sup> ratio declined by 0.13 percentage point from 0.57% in 2006 to 0.44% at end-2007.</li> </ul>	<ul style="list-style-type: none"> <li><b>Classified or impaired loan ratio: 0.44%</b></li> </ul>
Capital strength and liquidity	Capital adequacy ratio and liquidity ratio remained strong.	<ul style="list-style-type: none"> <li><b>Capital adequacy ratio: 13.08%</b></li> <li><b>Liquidity ratio: 50.92%</b></li> </ul>

(1) ROE represents return on average capital and reserves attributable to the equity holders of the Company.

(2) ROA represents return on average total assets and is defined in "Financial Highlights".

(3) Non-interest income represents net fees and commission income, net trading income, net gain/(loss) on financial instruments designated at fair value through profit or loss, net gain/(loss) on investments in securities, net insurance premium income, other operating income and net insurance benefits and claims.

(4) Operating income comprises net interest income and non-interest income as defined in (3) above.

(5) Classified loans are advances to customers which have been classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality.

(6) Classified or impaired loans represent advances which have been classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality, or individually assessed to be impaired. Repossessed assets are initially recognised at the lower of their fair value or the amortised cost of the related outstanding loans on the date of repossession. The related loans and advances are deducted from loans and advances.

## HIGHLIGHTS OF THE GROUP'S PROGRESS IN IMPLEMENTING THE 2006-2011 STRATEGIC PLAN

The Group formulated and implemented its 2006-2011 strategic plan in 2006 with the vision of becoming a top-quality financial services provider with a powerful base in Hong Kong, a solid presence in China and a strategic foothold in the region. 2007 was the second year of the implementation of this strategic plan and significant progress was recorded (For further details, please refer to Progress Update of 2006-2011 Strategic Plan on pages 49 to 50 of this report).

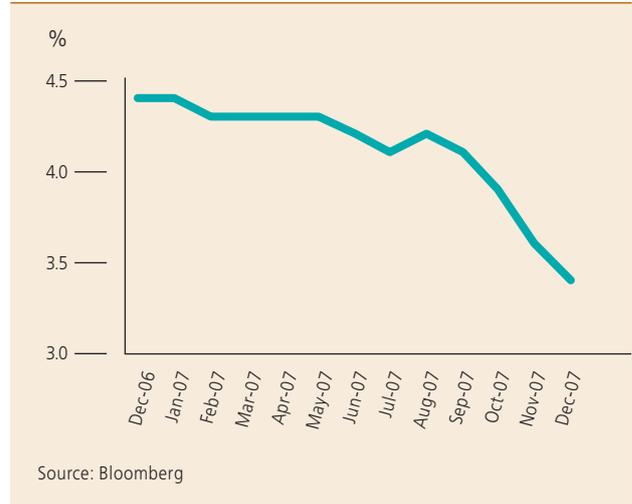
- The Group maintained its **leading position** in the syndication loan market covering Hong Kong, Macau and the Mainland, local residential mortgage business, Hong Kong RMB banking business, RMB card merchant acquiring business and RMB card issuing business. The Group also acted as joint lead manager and book runner for all three RMB bonds issued in Hong Kong and was the market leader in the business.
- The stronger **wealth management** platform put in place since 2005 helped significantly increase the total number of wealth management customers by 68% and assets under management by 46% in 2007. During the year, private placement services were successfully launched to better serve high net worth individuals.
- The Group completed its implementation of the **RPC model**. Dedicated and professional teams have been formed to focus on the development of product and relationship management. The Group's distribution network was further optimised. During the year, various business models were refined and workflows streamlined. As a result of these initiatives, the Group recorded broad-based growth in both deposits and loans in 2007. More importantly, strong growths were registered in the **high return segments**, such as investment and insurance business, lending by Mainland branches, trade finance and SME loans.
- The Group's **product manufacturing capabilities** were further enhanced. A range of new products were developed and launched during the year, including structured notes, equity warrants and QDII products under the Group's own brand. Securities products such as the stock broking services were upgraded to handle the significant increase in trading volume.
- The Group **expanded its service platform** to cover custody services. A custody service team was formed and major service platforms were put in place to pave the way for expansion. At the same time, the Group also formed a special purpose entity with BOC to provide back-end service support to BOC Group Bank Card in the Mainland.
- Nanyang Commercial Bank (China) Limited ("NCB (China)") was incorporated in the Mainland and business commenced in December 2007. NCB (China) is an integral part of the Group's **China business model** which adopts a dualistic approach in developing Mainland-related business.

**BUSINESS ENVIRONMENT**

**Hong Kong Real GDP**



**Hong Kong Unemployment Rate**

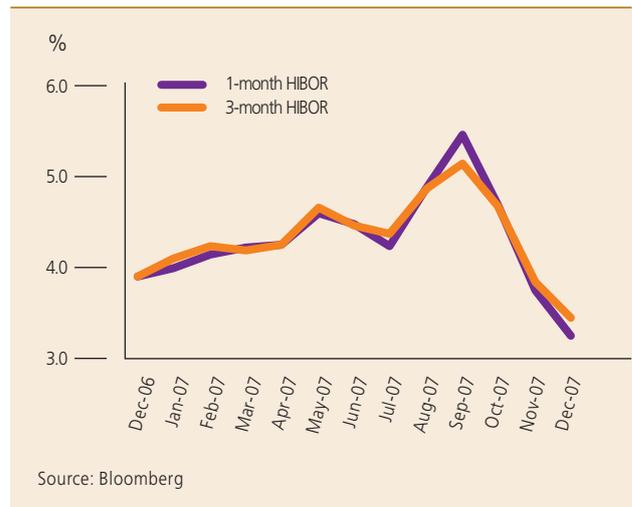


On the back of robust economic growth in Hong Kong, the local banking sector could operate in a largely favourable environment in 2007. Boosted by strong private consumption, business investment, inbound tourism, exports of merchandise and services as well as an active financial market, Hong Kong's economy registered growth for the fourth consecutive year, with real GDP growing by 6.3% in 2007. The unemployment rate edged down further to 3.4%. However, owing to strong internal demand and the impact of imported inflation, inflationary pressure in Hong Kong mounted with the composite consumer price index rising by 3.8% by the end of the year.

**Federal Funds Target Rate**



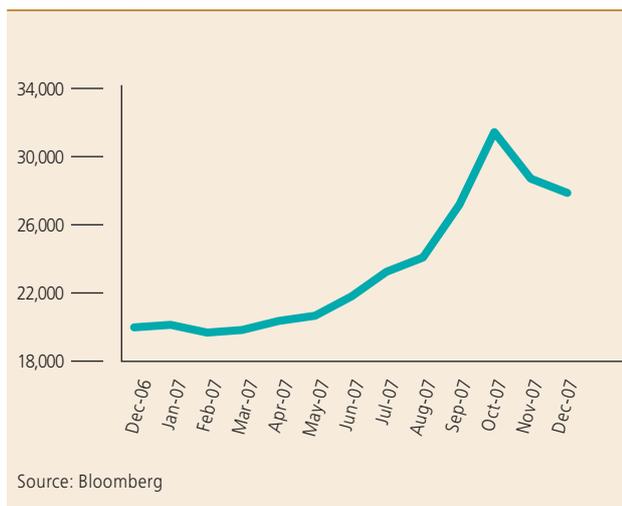
**HIBOR**



HKD and USD interest rates were relatively stable in the first half of 2007 but became more volatile in the second half. In the first half of the year, US Federal Funds Target Rate remained at 5.25% while LIBOR remained flat. Meanwhile, owing to increased demand for IPO funds, HKD short-term market rates rose steadily. However, tightened interbank liquidity from credit crunch in international markets and heightened demand for local liquidity driven by IPO activities caused short-term market rates to surge in August. In September, in order to alleviate the tightened interbank market, the US Federal Reserve lowered the US Federal Funds Target Rate, which marked the beginning of the interest rate cut cycle. During the fourth quarter, US Federal Funds Target Rate was cut by an aggregate of 100 basis points to 4.25%. Banks in Hong Kong followed the rate cut and both 1-month HIBOR and LIBOR declined in the period. During the year, the yield curve steepened, as evidenced by the broader average interest spread of 52 basis points in 2007 between 2-year Exchange Fund notes and its 10-year counterparts, versus 31 basis points in 2006.

In 2007 the Group's average HKD Prime rates decreased by 44 basis points whereas the average 1-month HIBOR increased by 16 basis points. As a result, HKD Prime-to-one month HIBOR spread (hereinafter called "Prime-HIBOR spread") narrowed by 60 basis points to 3.31%.

### Hang Seng Index



Underpinned by broad-based economic growth in Hong Kong and continuous capital inflow, the local stock market performed strongly though not without certain volatility in 2007. Driven by a large number of IPO activities and the extension of the Qualified Domestic Institutional Investor (QDII) Scheme, at one point the Hang Seng Index (HSI) rocketed to a record high of over 30,000 points in October. However, the uncertainty that started creeping in across global credit markets thereafter caused the market to become more volatile and the HSI closed at 27,813 points at end-2007, which was still 39% higher than that at end-2006. Total transaction volume more than doubled. Amid the buoyant stock market, there was strong demand for investment-linked instruments. The spate of IPO activities also boosted IPO-related lending for banks in Hong Kong.

Because of higher household income and lower mortgage rates, the local residential property market continued to revive. During the year, property prices increased significantly and the transaction volume shot up to a record high in 10 years. Inflation, together with the concern for negative real interest rates in Hong Kong resulting from aggressive US rate cuts, drove up the demand for real estate investment which in turn fueled the growth of mortgage lending.

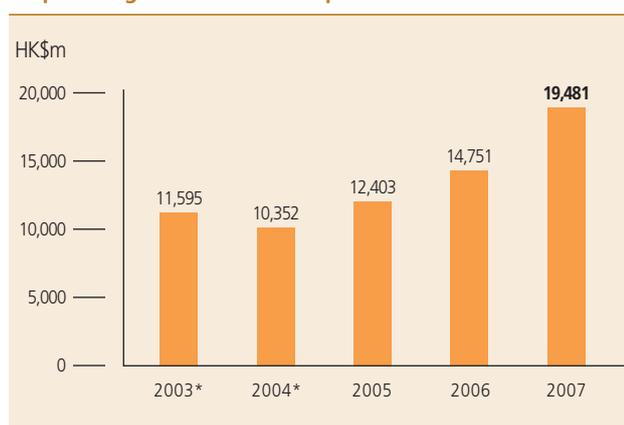
Basically favourable economic fundamentals allowed the local banking sector to operate under a benign credit environment. The loan quality of retail banks further improved with the classified loan ratio dropping to 0.86% at end-2007.

In 2007, the local banking sector was able to benefit from the expansion of domestic demand, buoyant investment markets and improved loan quality despite inflated operating expenses and compressed margins due to intensified market competition.

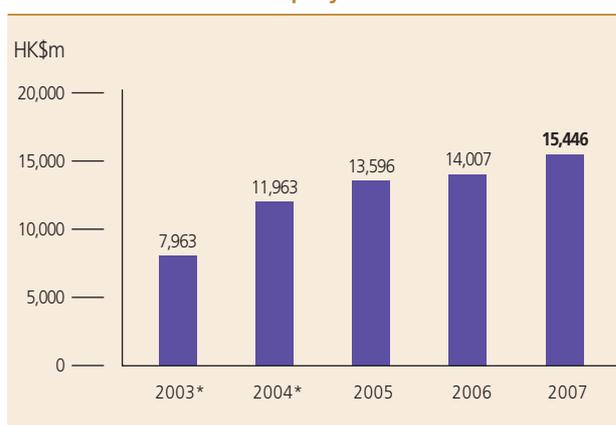
## CONSOLIDATED FINANCIAL REVIEW

In 2007, the Group achieved satisfactory financial results and made significant progress in implementing its strategic plan for 2006-2011. Both operating profit before impairment allowances and profit attributable to shareholders reached record highs since its IPO in 2002. Driven by strong growth in core earnings, operating profit before impairment allowances increased by HK\$4,730 million, or 32.1%, to HK\$19,481 million. Impairment allowances on securities and a lower net reversal of loan impairment allowances adversely affected the profit performance for the year. Despite these, the Group's profit attributable to shareholders rose by HK\$1,439 million, or 10.3%, to HK\$15,446 million. Earnings per share were HK\$1.4609, up HK\$0.1361. Return on average total assets ("ROA") and return on average shareholders' funds ("ROE") were 1.53% and 17.40% respectively. ROA and ROE before impairment allowances improved by 0.28 percentage point and 4.03 percentage points to 1.89% and 21.95% respectively.

### Operating Profit before Impairment Allowances



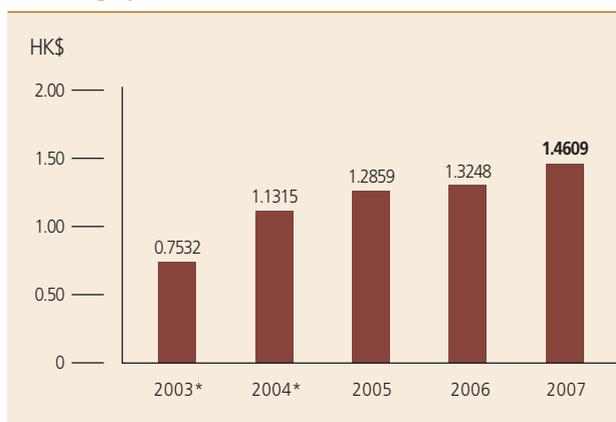
### Profit Attributable to Equity Holders



### Dividend per Share



### Earnings per Share



\* Excluding BOC Life

**Financial Highlights**

HK\$m, except percentage amounts	2007	2006
Operating income	<b>27,254</b>	21,309
Operating expenses	<b>(7,773)</b>	(6,558)
Operating profit before impairment allowances	<b>19,481</b>	14,751
Net (charge)/reversal of impairment allowances	<b>(1,448)</b>	1,794
Others	<b>1,093</b>	594
Profit before taxation	<b>19,126</b>	17,139
Profit attributable to equity holders of the Company	<b>15,446</b>	14,007
Earnings per share (HK\$)	<b>1.4609</b>	1.3248
Return on average total assets	<b>1.53%</b>	1.56%
Return on average shareholders' funds*	<b>17.40%</b>	17.02%
Return on average total assets before impairment allowances	<b>1.89%</b>	1.61%
Return on average shareholders' funds before impairment allowances*	<b>21.95%</b>	17.92%
Net interest margin	<b>2.07%</b>	1.90%
Non-interest income ratio	<b>28.84%</b>	25.69%
Cost-to-income ratio	<b>28.52%</b>	30.78%

\* Shareholders' funds represent capital and reserves attributable to the equity holders of the Company.

Analyses of the Group's financial performance and business operations are set out in the following sections.

**Net Interest Income and Margin**

HK\$m, except percentage amounts	2007	2006
Interest income	<b>46,056</b>	40,271
Interest expense	<b>(26,661)</b>	(24,436)
Net interest income	<b>19,395</b>	15,835
Average interest-earning assets	<b>938,377</b>	835,493
Net interest spread	<b>1.65%</b>	1.47%
Net interest margin	<b>2.07%</b>	1.90%

Net interest income increased by HK\$3,560 million, or 22.5%, to HK\$19,395 million in 2007. Average interest-earning assets grew by HK\$102,884 million, or 12.3%, to HK\$938,377 million. Net interest margin was 2.07%, up 17 basis points from 1.90% in 2006, due mainly to an increase of 18 basis points in net interest spread despite a decline of 1 basis point in the contribution from net free fund.

Market interest rates in 2007 on average were higher than in 2006. In the first half of 2007, market interest rates were relatively stable. However, the tightening of credit markets and fears of liquidity crunch led to a surge in one-month LIBOR in August 2007. After three interest rate cuts announced by the US Federal Reserve in the second half of 2007, one-month LIBOR fell from the peak of 5.82% in September 2007 to 4.60% at end-2007. Meanwhile, HKD short-term interest rates moved more or less in the same direction as USD rates. One-month HIBOR peaked at 5.70% in October 2007 and then dropped to 3.25% at end-2007. Average one-month HIBOR rose by 16 basis points to 4.28% versus 4.12% a year ago while average one-month LIBOR increased by 15 basis points to 5.25% during the same period. The Group's average HKD Prime rate was down by 44 basis points to 7.59%, thus narrowing the HKD Prime-HIBOR spread by 60 basis points to 3.31%.

The increase in the Group's net interest income was mainly driven by the growth in interest-earning assets and widening of net interest margin. Average interest earning assets grew by 12.3%, driven primarily by the increase in average customer deposits. Average gross yield on debt securities investments rose by 32 basis points following the re-pricing of debt securities. Maturing lower yielding securities were reinvested in higher yielding investments. At the same time, the Group's asset mix improved with average loans and advances to customers increased to 40.71% of total average interest-earning assets, up 0.75 percentage point from the previous year. Loan mix also improved with strong growth recorded in the higher yielding segments such as Mainland lending, SME loans and trade finance. However, as Prime-HIBOR spread narrowed and pricing pressure continued, loan spread was compressed. Weighted average yield on residential mortgage portfolio, excluding Government Home Ownership Scheme ("GHOS") mortgages, decreased by 10 basis points to 2.66% from 2.56% below HKD Prime rate. Meanwhile, total deposit spread widened as savings deposits spread increased with higher average market rates. The Group also made conscious effort in managing funding costs by enhancing the interest rate tier system applicable to savings deposits.

The summary below shows the average balances and average interest rates of individual assets and liabilities:

	Year ended 31 December 2007		Year ended 31 December 2006	
	Average balance HK\$m	Average yield %	Average balance HK\$m	Average yield %
<b>ASSETS</b>				
Loans to banks	207,454	4.01	177,465	3.90
Debt securities investments	331,422	4.92	302,349	4.60
Loans and advances to customers	382,040	5.45	333,901	5.65
Other interest-earning assets	17,461	3.73	21,778	2.63
Total interest-earning assets	938,377	4.91	835,493	4.82
Non interest-earning assets	94,200	–	80,407	–
Total assets	1,032,577	4.46	915,900	4.40

	Year ended 31 December 2007		Year ended 31 December 2006	
	Average balance HK\$m	Average rate %	Average balance HK\$m	Average rate %
<b>LIABILITIES</b>				
Deposits and balances of banks and other financial institutions	45,819	3.38	44,859	2.99
Current, savings and fixed deposits	742,152	3.27	653,237	3.35
Certificate of deposits issued	2,266	3.58	3,484	3.22
Other interest-bearing liabilities	27,189	2.92	28,232	3.78
Total interest-bearing liabilities	817,426	3.26	729,812	3.35
Non interest-bearing deposits	36,866	–	32,807	–
Shareholders' funds* and non interest-bearing liabilities	178,285	–	153,281	–
Total liabilities	1,032,577	2.58	915,900	2.67

\* Shareholders' funds represent capital and reserves attributable to the equity holders of the Company.

### Second Half Performance

In the second half of 2007, net interest income increased by HK\$1,589 million, or 17.8%, compared to the first half. Average interest-earning assets grew by HK\$109,791 million, or 12.4%. Both net interest margin and net interest spread rose by 7 basis points.

Improvement in net interest income was mainly attributable to the growth in interest-earning assets and continuous improvement in net interest margin. Higher average market interest rates and reinvestment of matured debt securities enhanced the average gross yield on debt securities by 15 basis points. Increase in higher yielding loans, including lending in the Mainland, SME loans and trade finance, also helped improve the loan spread. However, as Prime-HIBOR spread narrowed and pricing pressure continued, overall loan spread was compressed. Weighted average yield from the residential mortgage portfolio, excluding GHOS mortgages, declined by 1 basis point to 2.66% below the HKD Prime rate. On the other hand, deposit spread widened as average savings rate decreased amid higher average market rates.

### Net Fees and Commission Income

HK\$'m	2007	2006
Bills commissions	588	537
Loan commissions	347	273
Investment and insurance fee income	4,511	1,851
Securities brokerage (Stock broking)	3,560	1,383
Securities brokerage (Bonds)	211	105
Asset management	683	317
Life insurance*	57	46
General insurance	96	96
Trust services	153	118
Payment services	464	418
Credit cards	1,027	807
Account services	290	304
Guarantees	32	44
Currency exchange	184	117
RMB business	137	77
Correspondent banking	37	31
IPO-related business	105	60
Others	206	252
Fees and commission income	8,177	4,985
Fees and commission expenses	(1,903)	(1,268)
Net fees and commission income	6,274	3,717

\* As a result of the combination with BOC Life in 2006, fee income from life insurance only included that from the Group's insurance business partner after group consolidation elimination.

Net fees and commission income increased by HK\$2,557 million, or 68.8%, to HK\$6,274 million, mainly driven by the high growth in investment and insurance fee income of HK\$2,660 million or 143.7% and an increase in fees from credit card business of HK\$220 million or 27.3%. To capture business opportunities arising from the buoyant stock market and IPO activities, the Group took various initiatives to drive business growth and successfully boosted its investment fee income to a record high. Fees from credit card business also showed satisfactory growth as cardholder spending and merchant acquiring volume increased by 24.1% and 32.3% respectively. Fees and commission income from RMB-related business, currency exchange, trust services, loans and payment services registered double-digit growth of 77.9%, 57.3%, 29.7%, 27.1% and 11.0% respectively. Benefiting from the IPO boom, the Group's receiving banker's fee and IPO-related brokerage fee income surged by 75.0%. As a result of the growth in transaction volume, fees and commission expenses rose by HK\$635 million or 50.1%, mainly due to the increases in stock broking, credit card and RMB-related service expenses. Charges under the Deposit Protection Scheme that commenced in September 2006 also contributed to the increase in fees and commission expenses.

*Second Half Performance*

Compared to the first half of 2007, net fees and commission income increased by HK\$1,010 million, or 38.4%. The Group's stock broking business continued to perform well with the related fee income up HK\$912 million or 68.9% as business volume increased. Fee income from bond sales surged by HK\$81 million, or 124.6%, with strong growth in the sales of RMB-denominated bonds and structured notes. With increased business volume, commission income from loan and bills grew by 69.0% and 15.4% respectively. Fees and commission income from credit card business, RMB-related business, currency exchange and IPO-related business also increased by 18.0%, 53.7%, 52.1% and 44.2% respectively. Fees and commission expenses rose by HK\$289 million, or 35.8%, mainly due to the increases in stock broking expenses, credit card expenses and business promotional expenses.

**Investment and Insurance Business**

HK\$'m	2007	2006
Investment and insurance fee income		
Securities brokerage (Stock broking)	<b>3,560</b>	1,383
Securities brokerage (Bonds)	<b>211</b>	105
Asset management	<b>683</b>	317
Life insurance*	<b>57</b>	46
	<b>4,511</b>	1,851
Insurance income of BOC Life		
Net insurance premium income	<b>8,426</b>	6,195
Interest income	<b>788</b>	473
Net gain on financial instruments designated at fair value through profit or loss	<b>893</b>	420
Others	<b>15</b>	6
	<b>10,122</b>	7,094
Gross insurance and investment income of BOC Life#	<b>10,122</b>	7,094
Less: net insurance benefits and claims	<b>(9,440)</b>	(6,655)
	<b>682</b>	439
Total investment and insurance income	<b>5,193</b>	2,290
Of which: Life insurance fee income*	<b>57</b>	46
Insurance income of BOC Life#	<b>682</b>	439
Total life insurance income	<b>739</b>	485
Investment fee income	<b>4,454</b>	1,805
Total investment and insurance income	<b>5,193</b>	2,290

\* As a result of the combination with BOC Life in 2006, fee income from life insurance only included that from the Group's insurance business partner after group consolidation elimination.

# Before commission expenses.

Total investment and insurance income grew strongly by 126.8%, reaching HK\$5,193 million. Investment and insurance fee income increased by HK\$2,660 million, or 143.7%, while BOC Life's insurance income was up HK\$243 million, or 55.4%. Against the backdrop of the buoyant equity market, the Group took major initiatives to reinforce its stock trading platform and services which boosted the business volume of stock broking and related commission income substantially by 187.5% and 157.4% respectively. Commission from sales of bonds also increased by HK\$106 million, or 101.0%, after the introduction of private placement services which helped boost the sales of structured notes significantly by 195.8%. At the same time, asset management fee income increased by HK\$366 million, or 115.5%, with the sales of open-end funds rising by 125.8%. This was the result of the Group's product innovation initiatives, including the launch of its in-house developed open-end funds and certain thematic and China equity funds. Fee income from the Group's insurance business partner rose by HK\$11 million, or 23.9%, with the increase in sales volume. On the other hand, BOC Life's insurance income increased by HK\$243 million, or 55.4%, which was primarily attributable to higher interest income from securities investments. Meanwhile, net insurance premium income rose by 36.0% with the increase in the sales of all regular pay and single premium products. After accounting for the contribution of the HK\$57 million fee income by the Group's insurance business partner, total life insurance income was HK\$739 million, increasing by HK\$254 million or 52.4% and the total business volume of life insurance products rose by 45.2%.

#### Second Half Performance

Compared to the first half of 2007, total investment and insurance income increased by HK\$1,139 million, or 56.2%, mainly due to an increase in investment and insurance fee income of HK\$983 million, or 55.7%. At the same time, insurance income of BOC Life rose by HK\$156 million, or 59.3%.

#### Net Trading Income

HK\$m	2007	2006
Foreign exchange and foreign exchange products	800	1,113
Interest rate instruments	30	304
Equity instruments	181	72
Commodities	2	78
Net trading income	1,013	1,567

Net trading income recorded a decline of HK\$554 million, or 35.4%. This was mainly caused by the decline in net trading income from foreign exchange and foreign exchange products as well as the decline in net trading income from interest rate instruments. Net trading income from foreign exchange and foreign exchange products decreased by HK\$313 million due primarily to the net trading loss of foreign exchange swap contracts.\*\* Meanwhile, income from other foreign exchange activities, including customer generated business, increased satisfactorily by 26.8%. Net trading income from interest rate instruments decreased by HK\$274 million mainly because of the marked-to-market loss on interest rate swap contracts. Net trading income of equity instruments increased by HK\$109 million, or 151.4%, primarily driven by the increases in option premium and related trading income after the successful launch of the Group's structured notes programme and equity warrants. The decrease in net trading income from commodities was mainly caused by the decline in customers' demand for bullion products as market volatility subsided as well as the increase in the net trading loss on certain commodities instruments.

#### Second Half Performance

Compared to the first half of 2007, net trading income increased by HK\$179 million, or 42.9%, as net trading loss on foreign exchange swap contracts\*\* was significantly lower. This was partly offset by the marked-to-market loss on interest rate swap contracts. Meanwhile, other foreign exchange activities performed satisfactorily and the related net trading income increased by 20.9%. Net trading income of equity instruments also increased by HK\$41 million, or 58.6%, with higher option premium income received under the Group's structured notes programme.

\*\* Foreign exchange swap contracts are usually used for the Group's liquidity management and funding activities. Under foreign exchange swap contracts, the Group exchanges one currency (original currency) for another (swapped currency) at the spot exchange rate (spot transaction) and commits to reverse the spot transaction by exchanging the same currency pair at a future maturity at a predetermined rate (forward transaction). In this way, surplus funds in original currency are swapped into another currency for liquidity and funding purposes without any foreign exchange risk. Under HKAS 39, the exchange difference between the spot and forward contracts is recognised as foreign exchange gain or loss (as included in "net trading income"), while the corresponding interest differential between the surplus funds in original currency and swapped currency is reflected in net interest income.

**Net Gain/(Loss) on Financial Instruments Designated at Fair Value through Profit or Loss (FVTPL)**

HK\$'m	2007	2006
Net loss on financial instruments designated at FVTPL of the banking business	<b>(25)</b>	(99)
Net gain on financial instruments designated at FVTPL of BOC Life	<b>893</b>	420
Net gain on financial instruments designated at FVTPL	<b>868</b>	321

Net gain on financial instruments designated at fair value through profit or loss rose by HK\$547 million, or 170.4%, mainly due to the increase in net gain on financial instruments of BOC Life arising from the capital gain from its equity investments.

*Second Half Performance*

Compared to the net loss of HK\$394 million recorded in the first half of 2007, a net gain on financial instruments designated at fair value through profit or loss of HK\$1,262 million was recorded in the second half of the year, mainly due to the marked-to-market gain of debt securities investments and capital gain from the equity investments of BOC Life.

**Net Insurance Premium Income**

HK\$'m	2007	2006
Life and Annuity	<b>6,595</b>	5,852
Linked Long Term	<b>1,840</b>	348
Retirement Scheme	–	3
Reinsurers' share of gross earned premiums	<b>(9)</b>	(8)
Net insurance premium income	<b>8,426</b>	6,195

Net insurance premium income grew by HK\$2,231 million, or 36.0%, to HK\$8,426 million, as premium income from sales of new insurance policies increased by 36.9%. The Group continued to improve its product mix by launching a host of promotional activities for regular pay and investment-linked products. A wide range of new single premium products was also launched to meet different customers' needs. As a result, net insurance premium income from single premium and regular premium products increased by 37.0% and 27.4% respectively. In particular, net insurance premium income from investment-linked products rose by 428.5%.

*Second Half Performance*

Compared to the first half of 2007, net insurance premium income rose significantly by HK\$2,560 million, or 87.3%, to HK\$5,493 million. The increase was mainly attributable to the 89.6% growth in premium income from sales of new insurance policies.

**Net Insurance Benefits and Claims**

HK\$m	2007	2006
Life and Annuity	<b>7,527</b>	6,309
Linked Long Term Retirement Scheme	<b>1,915</b>	344
	<b>2</b>	3
	<b>9,444</b>	6,656
Reinsurers' share of claims, benefits and surrenders paid	<b>(4)</b>	(1)
Net insurance benefits and claims	<b>9,440</b>	6,655

Net insurance benefits and claims increased by HK\$2,785 million, or 41.8%, to HK\$9,440 million, which was in line with the growth of net insurance premium income. Prospective liabilities were recognised on the basis of the assumptions made as to mortality, investment income and fair value changes in the underlying investments.

*Second Half Performance*

Compared to the first half of 2007, net insurance benefits and claims increased significantly by HK\$4,176 million, or 158.7%, driven by the increase in business and change in market interest rates.

**Operating Expenses**

HK\$m, except percentage amounts	2007	2006
Staff costs	<b>4,656</b>	4,004
Premises and equipment expenses (excluding depreciation)	<b>958</b>	868
Depreciation on owned fixed assets	<b>787</b>	671
Other operating expenses	<b>1,372</b>	1,015
Operating expenses	<b>7,773</b>	6,558
Cost-to-income ratio	<b>28.52%</b>	30.78%

In line with the overall business expansion of the Group, operating expenses were up HK\$1,215 million, or 18.5%, to HK\$7,773 million. Staff costs rose by HK\$652 million or 16.3% after pay rise and the recruitment of new staff for business expansion and infrastructure renovation. Compared to end-2006, headcount measured in full-time equivalents rose by 429 to 13,427 at end-2007.

Premises and equipment expenses increased by HK\$90 million, or 10.4%, primarily due to higher rental and IT costs.

Depreciation on owned fixed assets rose by HK\$116 million, or 17.3%, to HK\$787 million, largely due to the appreciation of the value of bank premises and the increase in depreciation on computer equipment.

The increase of HK\$357 million, or 35.2%, in other operating expenses was caused by growing business volume and higher promotional expenses.

*Second Half Performance*

Compared to the first half of 2007, total operating expenses rose by HK\$937 million, or 27.4%, mainly due to growing business volume, the rise in promotional expenses and staff costs after salary adjustment in the second quarter of the year.

**Net Reversal of Loan Impairment Allowances on Advances**

HK\$'m	2007	2006
Net Reversal/(Charge) of Loan Impairment Allowances on Advances		
Individual assessment		
– new allowances	<b>(330)</b>	(647)
– releases	<b>299</b>	313
– recoveries	<b>1,311</b>	2,053
Collective assessment		
– new allowances	<b>(625)</b>	(194)
– releases	–	203
– recoveries	<b>30</b>	62
Net Reversal of Loan Impairment Allowances on Advances	<b>685</b>	1,790

The Group recorded a net reversal of loan impairment allowances on advances of HK\$685 million, down HK\$1,105 million or 61.7%, compared to 2006. The decrease was mainly due to the decline in both loan recoveries and release of allowances.

As new allowances were mostly offset by the releases of allowances, net loan impairment charge from individual assessment (before recoveries) was HK\$31 million, down HK\$303 million. The decrease in net impairment charge (before recoveries) was caused by the decline in new allowances as loan quality continued to improve. A sum of HK\$330 million of new allowances was made to cover the formation of new impaired loans and further deterioration of existing impaired accounts.

Net charge of collective impairment allowances (before recoveries) amounted to HK\$625 million, compared to the net release of HK\$9 million in 2006. The increase in the net impairment charge (before recoveries) was mainly attributable to growth in the loan portfolio and the continuous refinement of the collective assessment methodology. Reduction in release of allowances due to significant improvement in loan quality during the past years also contributed to the increase in the net impairment charge.

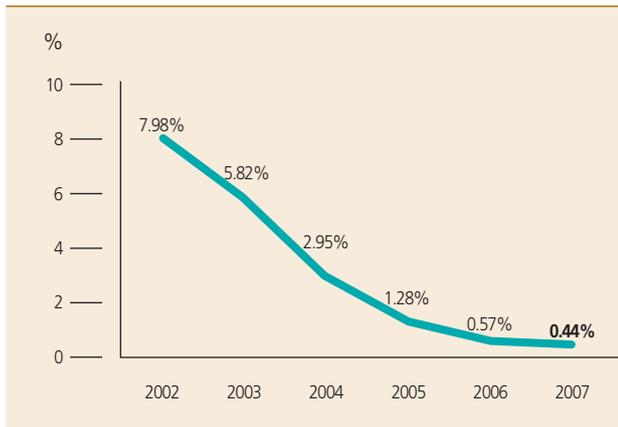
The Group continued to make progress in recoveries of loans that were previously written off. Total recoveries in individual and collective assessment amounted to HK\$1,341 million, down HK\$774 million compared to 2006 during which certain large accounts were recovered.

*Second Half Performance*

Net reversal of loan impairment allowances rose by HK\$353 million or 212.7% in the second half of 2007, mainly attributable to the recoveries of certain large accounts, which were partly offset by the increase in net impairment charge from collective assessment and individual assessment.

The Group's loan quality continued to improve with the classified or impaired loan ratio<sup>#</sup> having improved by 0.13 percentage point to 0.44% at end-2007. This was mainly due to the 9.3% reduction in classified or impaired loans and 19.0% growth in advances to customers.

#### Classified Loan Ratio



Classified loan ratio\* also fell by 0.13 percentage point to a record low of 0.44% at end-2007. Over the past six years, the Group's classified loans have been reduced at a compound annual rate of 41%. Classified loan ratio dropped substantially from 7.98% at end-2002 to 0.44% at end-2007.

\* Classified loans represent advances which have been classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality.

# Classified or impaired loans represent advances which have been classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality, or individually assessed to be impaired.

#### Net Charge of Impairment Allowances on Securities Investments

HK\$'m	2007	2006
Held-to-maturity securities	(1,844)	—
Available-for-sale securities	(289)	—
Net charge of impairment allowances on securities investments	(2,133)	—

In 2007, the Group made HK\$2,133 million of impairment charge for its portfolio of US asset-backed securities, as a result of the increasing market volatility and its adoption of appropriate provisioning policy.

There were further volatile movements in the market during 2008. The Group will continue to monitor the market closely and will conduct a thorough impairment assessment based on conditions at the end of the first quarter of 2008. For details about the composition and changes in the Group's investment securities portfolio, and the impairment and provisioning policies on investment, please refer to Note 28 and Note 2 to the Financial Statements in the Annual Report.

#### Second Half Performance

In the second half of 2007, the Group made HK\$2,133 million of impairment charge for its portfolio of US asset-backed securities.

#### Property Revaluation

HK\$'m	2007	2006
Net gain/(loss) on revaluation of premises	19	(1)
Net gain on fair value adjustments on investment properties	1,056	574
Deferred tax	(143)	(55)
Net gain on fair value adjustments on investment properties, after tax	913	519

The aggregate impact of property revaluation before tax on the income statement was HK\$1,075 million, of which HK\$1,056 million came from the revaluation of investment properties and HK\$19 million from the revaluation of premises. The related deferred tax charge on revaluation of investment properties amounted to HK\$143 million. As a result, the net impact of fair value adjustments on investment properties on the Group's profit attributable to equity holders in 2007 was HK\$913 million. The net gain on property revaluation was in line with the trend of rising property prices in 2007.

#### Second Half Performance

Compared to the first half of 2007, net gain from revaluation of investment properties, after tax increased by HK\$203 million because of rising local property prices in the second half of 2007.

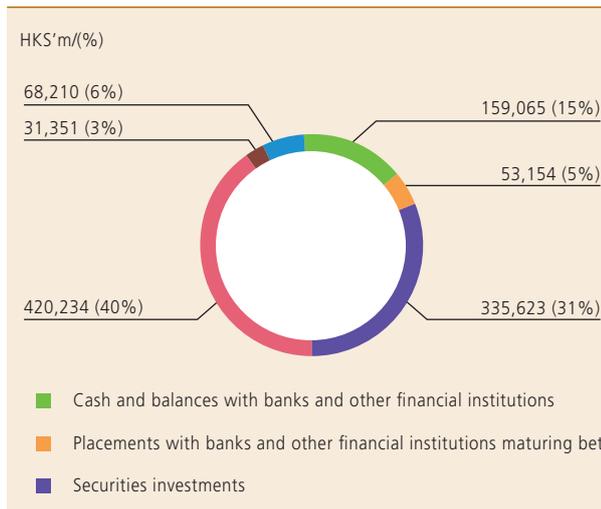
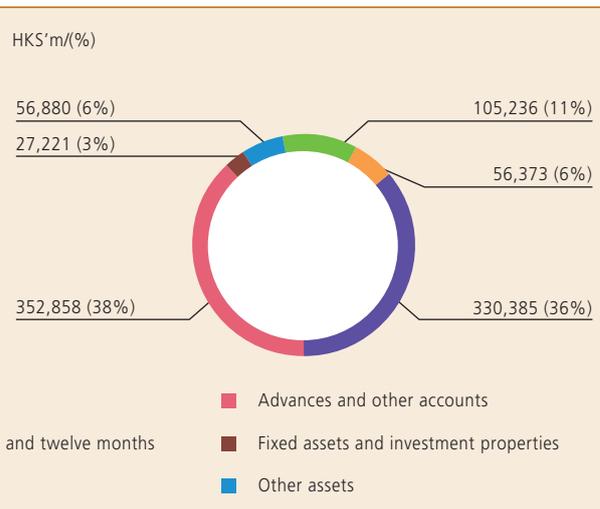
#### Financial Position

HK\$m, except percentage amounts	<b>At 31 December 2007</b>	At 31 December 2006
Cash and balances with banks and other financial institutions	<b>159,065</b>	105,236
Placements with banks and other financial institutions maturing between one and twelve months	<b>53,154</b>	56,373
Hong Kong SAR Government certificates of indebtedness	<b>32,770</b>	34,750
Securities investments*	<b>335,623</b>	330,385
Advances and other accounts	<b>420,234</b>	352,858
Fixed assets and investment properties	<b>31,351</b>	27,221
Other assets**	<b>35,440</b>	22,130
<b>Total assets</b>	<b>1,067,637</b>	928,953
Hong Kong SAR currency notes in circulation	<b>32,770</b>	34,750
Deposits and balances of banks and other financial institutions	<b>60,599</b>	49,034
Deposits from customers	<b>793,606</b>	694,691
Debt securities in issue at amortised cost***	<b>2,089</b>	–
Insurance contract liabilities	<b>22,497</b>	14,239
Other accounts and provisions	<b>61,018</b>	49,599
<b>Total liabilities</b>	<b>972,579</b>	842,313
Minority interests	<b>2,216</b>	1,985
Capital and reserves attributable to the equity holders of the Company	<b>92,842</b>	84,655
<b>Total liabilities and equity</b>	<b>1,067,637</b>	928,953
Loan-to-deposit ratio	<b>51.66%</b>	49.32%

\* Securities investments comprise investment in securities and financial assets at fair value through profit or loss.

\*\* Interests in associates, derivative financial instruments and deferred tax assets are included in other assets.

\*\*\* Debt securities in issue at amortised cost represents the notes issued under the Group's notes programme.

**Balance Sheet Mix as at 31 December 2007****Balance Sheet Mix as at 31 December 2006**

The Group's total assets were HK\$1,067,637 million at 31 December 2007, up HK\$138,684 million or 14.9% from the end of 2006. Key changes include:

- Cash and balances with banks and other financial institutions increased by HK\$53,829 million, or 51.2%, mainly due to the increase in interbank placements maturing within one month.
- Advances and other accounts increased by HK\$67,376 million, or 19.1%, primarily driven by the growth of advances to customers by HK\$65,972 million, or 19.0%.
- Securities investments increased slightly by HK\$5,238 million, or 1.6%. As of 31 December 2007, the Group's exposure in US subprime asset-backed securities fell to HK\$4.1 billion from HK\$12.8 billion as of end-June 2007.
- Other assets increased by HK\$13,310 million, or 60.1%, as a result of the increase in derivative financial instruments and accounts receivable of shares due to increased stock transactions by customers.

**Advances to Customers**

HK\$m, except percentage amounts	At 31 December 2007		At 31 December 2006	
		%		%
Loans for use in Hong Kong	<b>305,677</b>	<b>74.0</b>	274,290	79.0
Industrial, commercial and financial	<b>168,656</b>	<b>40.8</b>	148,780	42.9
Individuals	<b>137,021</b>	<b>33.2</b>	125,510	36.1
Trade finance	<b>24,275</b>	<b>5.9</b>	16,865	4.9
Loans for use outside Hong Kong	<b>83,110</b>	<b>20.1</b>	55,935	16.1
Total advances to customers	<b>413,062</b>	<b>100.0</b>	347,090	100.0

Total advances to customers grew strongly by HK\$65,972 million, or 19.0%, covering both corporate loans and individual loans. In particular, higher yielding segments including lending in the Mainland, trade finance and SME lending, recorded substantial growths of 60.9%, 43.9% and 32.2% respectively. The strong growth in loans was mainly the result of the Group's effective implementation of its strategies under the new business model as well as greater domestic demand arising from a robust economy.

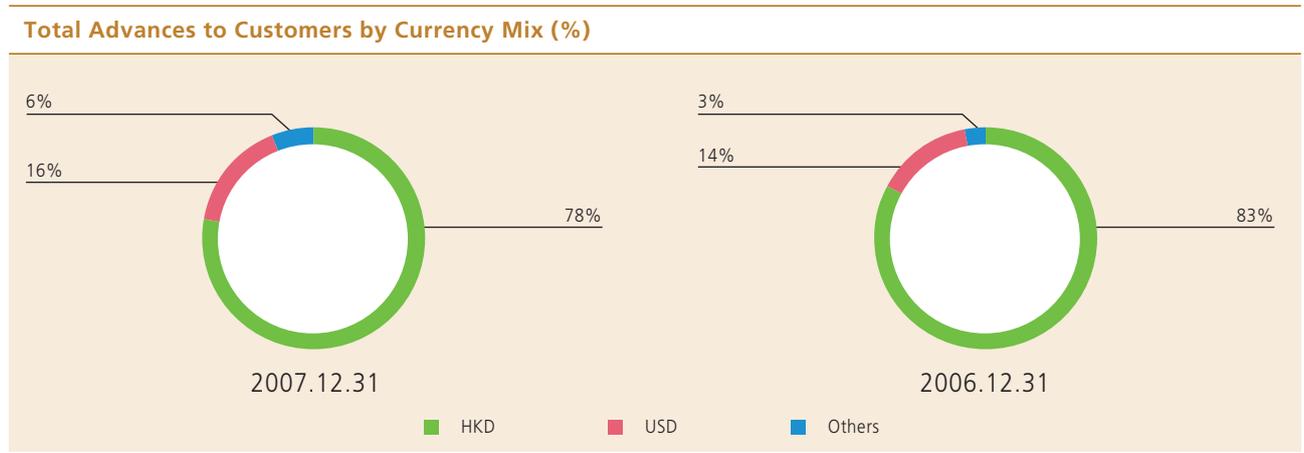
Loans for use in Hong Kong grew by 11.4%:

- Lending to the industrial, commercial and financial sectors rose by HK\$19,876 million, or 13.4%, to HK\$168,656 million, driven by loans for property investment, transport and transport equipment and manufacturing.
- Residential mortgage loans (excluding those under GHOS) increased by HK\$9,630 million, or 9.9%, to HK\$106,583 million as a result of the Group's effective product innovation and marketing efforts, helped by greater demand in the property market.
- Card advances grew by HK\$955 million, or 19.9%, to HK\$5,761 million with the increase in cardholder spending.
- Other consumer lending increased considerably by HK\$1,193 million, or 12.5%, to HK\$10,708 million, mainly driven by the growths in personal loans and tax loans.

Trade finance grew strongly by HK\$7,410 million, or 43.9%, thanks to the Group's intense promotional efforts, improved business model and the robust import and export trade. Meanwhile, loans for use outside Hong Kong increased considerably by HK\$27,175 million or 48.6%. The increase was mainly fuelled by overseas lending and loan growth of the Group's Mainland branches.

*Second Half Performance*

The Group's growth momentum in total loans continued in the second half of the year. Compared to the first half figures of 2007 which included a considerable sum of IPO financing, total loans rose by HK\$20,251 million, or 5.2% in the second half. Excluding the impact of IPO financing, total advances to customer would have shown an even stronger increase of 9.4%. Strong growth momentum was shown in individual loans, trade finance and loans for use outside Hong Kong. Residential mortgages increased by HK\$6,466 million, or 6.5%, while trade finance rose by HK\$2,677 million, or 12.4%. Loans for use outside Hong Kong grew significantly by HK\$17,020 million, or 25.8%. Corporate loans in Hong Kong increased by HK\$7,310 million, or 4.5%, after excluding IPO financing at the end of June 2007.



In terms of currency mix, advances to customers in all types of currency increased when compared to end-2006. HKD and USD advances to customers accounted for 78.4% and 15.6% respectively at the end of 2007. Other currency advances to customers accounted for 6.0%.

### Deposits from Customers

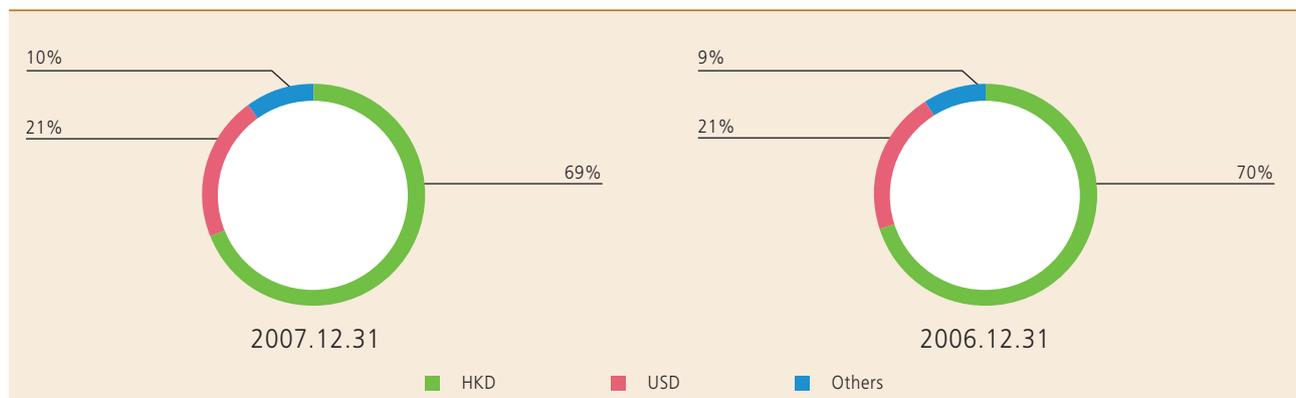
HK\$m, except percentage amounts	At 31 December 2007	%	At 31 December 2006	%
Demand deposits and current accounts	40,499	5.1	30,979	4.4
Savings deposits	286,653	35.9	256,653	36.5
Time, call and notice deposits	466,454	58.3	407,059	57.8
Total deposits from customers	793,606	99.3	694,691	98.7
Structured deposits	5,959	0.7	9,085	1.3
Adjusted total deposits from customers	799,565	100.0	703,776	100.0

Total deposits from customers were HK\$793,606 million, up HK\$98,915 million, or 14.2%. Demand deposits and current accounts increased by 30.7% or HK\$9,520 million. Savings deposits rose by 11.7% or HK\$30,000 million while time, call and notice deposits increased by 14.6% or HK\$59,395 million. Structured deposits, a hybrid of retail deposit and derivatives offering a higher nominal interest rate, decreased by 34.4% or HK\$3,126 million, as customers chose to switch their funds under the robust investment environment. The Group's loan-to-deposit ratio increased by 2.34 percentage points to 51.66% at the end of 2007 as total loan growth outstripped deposit growth.

#### Second Half Performance

Total deposits from customers in the second half of 2007 declined by HK\$10,308 million, or 1.3%, mainly due to the substantial amount of IPO deposits recorded in the first half. Demand deposits and current accounts dropped by 64.9%, or HK\$74,944 million. Savings deposits increased by 16.2% or HK\$40,003 million while time, call and notice deposits increased by 5.6% or HK\$24,633 million. On the other hand, structured deposits decreased by 48.6% or HK\$5,644 million. Should the estimated impact of IPO-related funds be excluded, total deposits from customers would have increased by 8.9%.

#### Adjusted Total Deposits from Customers by Currency Mix (%)



In terms of currency mix, HKD and USD deposits accounted for 69.1% and 21.0% respectively at the end of 2007, while other currency deposits accounted for 9.9%. The Group's HKD loan-to-deposit ratio was 58.7%, up from 58.3% at end-2006, as HKD loan growth outpaced that of HKD deposit.

**Loan Quality**

HK\$m, except percentage amounts	At 31 December 2007	At 31 December 2006
Advances to customers	<b>413,062</b>	347,090
Classified or impaired loan ratio <sup>&amp;</sup>	<b>0.44%</b>	0.57%
Impairment allowances	<b>1,385</b>	1,103
Regulatory reserve for general banking risks	<b>4,130</b>	3,621
Total allowances and regulatory reserve	<b>5,515</b>	4,724
Total allowances as a percentage of advances to customers	<b>0.34%</b>	0.32%
Total allowances and regulatory reserve as a percentage of advances to customers	<b>1.34%</b>	1.36%
Impairment allowances on classified or impaired loan ratio <sup>##</sup>	<b>22.52%</b>	28.62%
Residential mortgage loans* – delinquency and rescheduled loan ratio <sup>**</sup>	<b>0.15%</b>	0.21%
Card advances – delinquency ratio <sup>**#</sup>	<b>0.28%</b>	0.25%

	2007	2006
Card advances – charge-off ratio <sup>#</sup>	<b>2.40%</b>	2.44%

& Classified or impaired loans represent advances which have been classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality, or individually assessed to be impaired. Repossessed assets are initially recognised at the lower of their fair value or the amortised cost of the related outstanding loans on the date of repossession. The related loans and advances are deducted from loans and advances.

\* Residential mortgage loans exclude those under the Home Ownership Scheme and other government-sponsored home purchasing schemes.

\*\* Delinquency ratio is measured by a ratio of total amount of overdue loans (more than three months) to total outstanding loans.

# Excluding Great Wall cards and computed according to the HKMA's definition.

## Including impairment allowances on loans classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality, or individually assessed to be impaired.

**Movement of Classified Advances to Customers**

In HK\$ bln	2007	2006
Beginning balance	<b>2.0</b>	4.3
New classified loans	<b>1.2</b>	0.9
Upgraded classified loans	<b>(0.1)</b>	(0.3)
Collection	<b>(1.1)</b>	(2.0)
Write-off	<b>(0.3)</b>	(0.8)
Others	<b>0.1</b>	(0.1)
Ending balance	<b>1.8</b>	2.0

The Group's loan quality continued to improve in 2007 with the classified loan ratio falling to a historical low of 0.44%, against 0.57% at end-2006. Classified loans decreased by approximately HK\$0.2 billion or 9.4% to HK\$1.8 billion. New classified loans remained at a low level, representing less than 0.3% of total loans outstanding. Total collections amounted to approximately HK\$1.1 billion. Write-off of classified loans amounted to HK\$0.3 billion.

Total impairment allowances, including both IA and CA, amounted to HK\$1,385 million. Impairment allowances on classified or impaired loans ratio was 22.52%. The Group's regulatory reserve increased by HK\$509 million to HK\$4,130 million as advances to customers increased.

The quality of the Group's residential mortgage loans continued to improve with the combined delinquency and rescheduled loan ratio dropping by 0.06 percentage point from 0.21% at end-2006 to 0.15% at-end 2007. The quality of card advances remained sound, with the charge-off ratio decreasing from 2.44% to 2.40% in 2007.

### Capital and Liquidity Ratios

HK\$m, except percentage amounts	At 31 December 2007	Restated At 31 December 2006 (Unaudited)
Core capital	67,145	68,295
Deductions	(483)	(486)
Core capital after deductions	66,662	67,809
Supplementary capital	5,161	4,194
Deductions	(483)	(486)
Supplementary capital after deductions	4,678	3,708
Total capital base after deductions	71,340	71,517
Risk-weighted assets		
Credit risk	510,970	426,130
Market risk	7,998	5,001
Operational risk	39,139	32,901
Deductions	(12,875)	(9,124)
Total risk-weighted assets	545,232	454,908
Capital adequacy ratios (banking group level)		
Core capital ratio	12.23%	14.91%
Capital adequacy ratio	13.08%	15.72%
	2007	2006
Average liquidity ratio	50.92%	50.46%

In accordance with the Banking (Capital) Rules that has become effective from 1 January 2007, the Group has adopted the Standardised Approach in calculating capital adequacy ratios at 31 December 2007, and comparable figures at 31 December 2006 have been restated accordingly.

Consolidated capital adequacy ratio of the banking group at 31 December 2007 was 13.08%, down 2.64 percentage points from end-2006 mainly due to the significant increase in risk-weighted assets. Risk-weighted assets rose by 19.9% to HK\$545,232 million. The increase was primarily due to the growth of advances to customers and interbank placements.

Average liquidity ratio remained strong at 50.92%, versus 50.46% in 2006. Although the growth in average customer deposits led to an increase in average qualifying liabilities, average liquidity ratio rose slightly as average liquefiable assets increased with the growth of interbank placements and marketable debt securities.

## BUSINESS REVIEW

This section covers the review of the Group's business lines together with their respective financial results.

### PERSONAL BANKING

HK\$m, except percentage amounts	Full-year ended 31 December 2007	Restated Full-year ended 31 December 2006	Increase/ (decrease)
Net interest income	8,144	7,003	+16.3%
Other operating income	5,931	3,049	+94.5%
Operating income	14,075	10,052	+40.0%
Operating expenses	(5,829)	(4,853)	+20.1%
Operating profit before loan impairment allowances	8,246	5,199	+58.6%
Net charge of loan impairment allowances	(112)	(37)	+202.7%
Others	(5)	(18)	-72.2%
Profit before taxation	8,129	5,144	+58.0%

	At 31 December 2007	Restated At 31 December 2006	Increase/ (decrease)
Segment assets	162,634	144,828	+12.3%
Segment liabilities	545,397	516,848	+5.5%

Note: For additional segmental information, see Note 10 to the Summary Financial Statements.

### Results

Personal Banking registered strong growth in 2007. Operating income grew by 40.0% to HK\$14,075 million, which was driven by both the 16.3% increase in net interest income and the 94.5% increase in other operating income (mainly income arising from stock broking and fund distribution). Operating profit before loan impairment allowances rose by 58.6% to HK\$8,246 million. Profit before taxation was HK\$8,129 million, up HK\$2,985 million or 58.0% from 2006.

Net interest income rose by 16.3% to HK\$8,144 million, primarily attributable to the growth in mortgage loans and other consumer lending coupled with the widening of deposit spread. Deposit spread widened as savings deposits spread increased with higher average market rates. These positive factors were partly neutralised by the compressed loan spread as a result of the narrowed Prime-HIBOR spread and keen competition.

Other operating income soared by 94.5% to HK\$5,931 million mainly because of the 106.5% growth of net fees and commission income. To capture business opportunities arising from the buoyant equity market and IPO activities, the Group further enhanced its retail stock trading platform, thereby boosting its stock brokerage business substantially by 187.5% and increasing the commission income from securities trading by 157.4%. Sales of open-end funds grew by 125.8% as a result of various initiatives, including the introduction of open-end funds developed in-house by the Group and certain thematic and China equity funds. Meanwhile, commission from the sales of bonds increased by 101.0% because of the hefty rise in the sales of structured notes. During the second half of 2007, a gain arising on initial recognition of shares received from Visa Inc. also contributed to the increase in other operating income.

Operating expenses rose by 20.1% to HK\$5,829 million, mainly necessitated by strong business growth and increased staff costs after pay rise.

Net charge of loan impairment allowances surged by 202.7% to HK\$112 million. The increase was mainly attributable to the reduction in recoveries and the refinement of the loan impairment assessment methodology.

Advances and other accounts, including mortgage loans and card advances, increased by 10.5% to HK\$142,169 million. Customer deposits increased by 4.9% to HK\$513,027 million.

#### **Driving the Growth of Investment and Insurance Businesses**

Investment and insurance businesses continued to contribute significantly to the Group's earnings growth in 2007. The growth of the investment business was driven primarily by product innovation and new business initiatives. Amid the buoyant stock market and IPO boom, the Group actively promoted stock brokerage services to capture the rapidly growing demand. As a result, the business volume of stock brokerage rose substantially by 187.5% in 2007, outperforming the market growth rate of 158.7%. This was spurred by a 287.4% growth in business volume via automated channels after the initiatives taken by the Group to enhance its Telephone Banking System and internet platform. In response to customers' demand for high-yield investment products, the Group expanded the offerings of structured notes through its newly-launched private placement services. The Group also actively broadened its product range by introducing different products to meet different customer needs arising from an increasingly volatile market. As a result, there was a hefty growth of 195.8% in the sales of structured notes. Realising that investment in the China and Asian markets was becoming more and more popular, the Group launched a series of IPO funds that were thematic or related to emerging markets, China equity and property. At the same time, the Group launched a number of in-house developed open-end funds such as "NCB China Equity Fund" and "NCB China Resources Opportunities Fund". Such initiatives received overwhelming response from customers and contributed to the 125.8% growth in the sales volume of open-end funds.

The Group registered impressive volume growth in its Bancassurance business in 2007. Its business platform was also strengthened to facilitate product development, branding, marketing, and sales forces development. The Group is now in a position to offer appropriate choices of products to customers based on their needs.

At the same time, the Group widened the spectrum of life insurance products by introducing a range of tailor-made products to meet customers' diverse needs in different stages of life, namely, "Supreme Saver 07 – 5 Year Life Endowment Plan", "Healthy and Prosperous Insurance Plan", "Fortune Saving Protection Plan", "Blossom Insurance Plan" and "Healthy Junior Hospital Insurance Plan". Meanwhile, the features of existing life insurance products have been refined to ensure better product quality for customers. In addition to products, the Group has created a positive branding image and market awareness through advertising and marketing campaigns in major media in Hong Kong. At the same time, extensive forums and training courses were provided to frontline staff to upgrade their product proficiency and sales skills. As a result of these initiatives, the Group was able to capture a significant market share and attain a remarkable increase in sales of 45.2% in 2007.

### Ensuring Market Leadership and Strong Growth in Residential Property Mortgage

As the property market continued to revive in 2007, the Group strove to grow its residential mortgage business through aggressive marketing and the introduction of a wider assortment of mortgage products. This resulted in a satisfactory growth of 9.9% in residential mortgages while the market growth was only 5.4% compared to 2006. In addition to the "HIBOR Mortgage Scheme" introduced in 2006, the Group offered other new mortgage plans to meet customers' diverse financial needs. During the year, the "Premium Free 75% Mortgage Insurance Programme" and "Welcome to the Olympic Smart Mortgage Scheme" were launched, the former targeting homebuyers with loan-to-value ratio slightly above 70% while the latter aiming at high net worth customers. The Group also aimed to grow its mortgage business in the property investment market by introducing the "Investment Property Mortgage Plan", a lending solution covering both rental agency and property management services. The Group maintained its leading position in the residential mortgage market with the underwriting of new mortgages increasing by 73.7% year-on-year, outperforming the market average of 50.7%. Meanwhile, the credit quality of residential mortgages continued to improve as the delinquency and rescheduled loan ratio dropped further to 0.15%.

### Expanding High Net Worth Customer Base and Assets Under Management

The Group continued to serve its high net worth customers with premium services. In January 2007, the Group launched private placement service to provide wealth management customers with alternative investment opportunities in bonds and structured products. At the same time, the Group also upgraded its brokerage service in bonds trading for these customers. To promote its image as a professional wealth management service provider, the Group staged a couple of wealth management expositions to showcase its comprehensive wealth management services. In addition, a number of investment seminars were organised to update customers on the latest investment climate and opportunities. To strengthen its image as an expert in the "Art of Wealth Management" so as to expand its high net worth customer base, the Group launched a large-scale marketing campaign during the year. Meanwhile, Wealth Management Academy, an in-house training facility, was established to provide professional training to relevant staff. In 2007, the total number of wealth management customers and assets under management grew by 68% and 46% respectively versus 2006.

### Continued Growth of Credit Card Business

As domestic consumption continued to increase with Hong Kong's economic growth, the Group was active in developing its card business and achieved very encouraging results. Card advances and the number of cards issued grew by 19.9% and 10.2% respectively. At the same time, cardholder spending volume and merchant acquiring volume registered healthy growth of 24.1% and 32.3% respectively. Meanwhile, the charge-off ratio dropped further to 2.40%, well below the market average.

Various innovative products were introduced during the year. To commemorate the 2008 Beijing Olympics, the Group, being the first issuer of prepaid card with Beijing 2008 Olympics mascots as the theme, issued the "VISA BOC Olympic Games Prepaid Card" in May 2007. The Group's marketing capacity was enhanced through the launch of the "Smart Statement System", the introduction of the "EMV chip credit card" and the implementation of the "Personalised Spending Privileges System", which helped the Group in analysing customers' spending behaviour and customising privileges for target customers. To further expand the merchant acquiring business, the Group employed a new internet payment gateway system, the "MasterCard Internet Gateway System", in May 2007 to better serve online merchants. To capture the growing business opportunities in the Mainland, the Group formed a special purpose entity with BOC in November to provide back-end service support to BOC Group Bank Card in the Mainland. This should be regarded as a key strategic initiative taken by the Group to expand its card business in the Mainland.

### Expanding and Maintaining Market Leadership in RMB Banking Business in Hong Kong

The Group remained the market leader in Renminbi ("RMB") banking business in Hong Kong in 2007. The Group enjoyed the largest market share in the local RMB deposits-taking business with the amount of deposits growing by 41.3% year-on-year. The Group also consolidated its leading position in the RMB credit card issuing and merchant acquiring businesses. In 2007, the number of RMB credit cards issued grew by 31.6% while the RMB card acquiring volume and RMB card cardholder spending volume surged by 80.2% and 65.2% respectively. In June 2007, to capture the business opportunities arising from the issue of RMB-denominated bonds in Hong Kong, the Group launched a new RMB bond service offering customers a hassle-free solution for RMB bond subscription, custody and coupon collection. In addition, the Group introduced a series of promotional offers, including the "Welcome Offer for RMB Integrated Service" for new accounts, "Exchange Express Service", RMB preferential exchange rate, etc. All these were well received by customers. During the year, the Group also acted as the joint lead manager and bookrunner as well as placing bank for RMB bonds valued at a total of 10 billion yuan issued in Hong Kong by major Mainland banks. By the end of 2007, the number of ATMs providing RMB withdrawal service reached 252.

### Channel Rationalisation and e-channel Development

To enhance service quality and support business growth, the Group continued to optimise its branch network. During the year, the Group opened 3 new branches, closed 2 old branches, renovated 34 existing branches and added 24 wealth management centres to its network in Hong Kong. By the end of 2007, the Group's service network in Hong Kong included 288 branches. Moreover, 95 Wealth Management Prime centres and 20 Wealth Management VIP centres have been in operation to provide exclusive financial services to customers. To encourage customers to use automated banking services, in addition to 459 ATM machines, the Group has installed 80 Cheque Deposit Machines and 135 Cash Deposit Machines in Hong Kong.

The Group continued to upgrade its e-banking functions, especially in investment areas. The number of e-banking customers grew by 28% and the stock trading transactions carried out through e-channels accounted for 73% of total transactions. To support dramatic growth in e-banking stock trading, the number of Automated Stock Trading telephone lines increased by 250% as compared with early 2007. Moreover, the capacity of internet stock information services was expanded to provide better service quality.

## CORPORATE BANKING

HK\$m, except percentage amounts	Full-year ended 31 December 2007	Restated Full-year ended 31 December 2006	Increase/ (decrease)
Net interest income	5,739	5,009	+14.6%
Other operating income	1,930	1,687	+14.4%
Operating income	7,669	6,696	+14.5%
Operating expenses	(1,940)	(1,653)	+17.4%
Operating profit before loan impairment allowances	5,729	5,043	+13.6%
Net release of loan impairment allowances	797	1,827	-56.4%
Others	-	(3)	N/A
Profit before taxation	6,526	6,867	-5.0%

	At 31 December 2007	Restated At 31 December 2006	Increase/ (decrease)
Segment assets	281,680	227,527	+23.8%
Segment liabilities	284,353	209,363	+35.8%

Note: For additional segmental information, see Note 10 to the Summary Financial Statements.

## Results

Corporate Banking recorded satisfactory results in 2007. Operating income increased by 14.5% to HK\$7,669 million, which was driven by the growth in both net interest income and other operating income. After accounting for the 17.4% increase in operating expenses, operating profit before loan impairment allowances rose by 13.6% to HK\$5,729 million. Owing to the significant reduction in the net release of loan impairment allowances, profit before taxation fell by 5.0% to HK\$6,526 million.

Net interest income increased by 14.6% to HK\$5,739 million mainly due to the growth in average loans and advances. Other operating income rose by 14.4% to HK\$1,930 million, thanks to the increases in loan and bills commission income coupled with the growth in fees income from both trust services and payment services.

Operating expenses were up 17.4% to HK\$1,940 million as a result of increased staff costs after pay rise and the recruitment of new staff.

Net release of loan impairment allowances were HK\$797 million, down 56.4%, mainly due to the reduction of loan recoveries and increase in impairment allowances attributable to the continuous refinement of assessment methodology. Growth in advances to customers and reduction in release of allowances as loan quality improved significantly in recent years also accounted for the decrease in the net release of loan impairment allowances.

Advances and other accounts increased by 23.8% to HK\$280,569 million. Customer deposits grew by 36.1% to HK\$281,487 million.

### Upholding Market Leadership in Loan Syndication

The Group remained the market leader in the syndicated loan market covering Hong Kong, Macau and the Mainland. According to *Basis Point*, the Group was again the top arranger in both Hong Kong-Macau and Mainland-Hong Kong-Macau syndicated loan markets in 2007. The Group's outstanding performance in loan syndication was well recognised in the market. One of its syndicated loan transactions was ranked among the top three financing projects in the Asia-Pacific region by *Euromoney*.

### Spectacular Performance of IPO Financing Business

Boosted by the robust stock market and intense marketing efforts, the Group registered phenomenal growth in its IPO financing business in 2007. Supported by both corporate and personal customers, IPO financing grew by 162.1% to HK\$528 billion covering a total of 48 newly listed corporations.

### Growing SME Business

In order to expand its high-yielding segments and improve its loan mix, the Group regards SME business as one of its strategic focuses. In 2007 the Group made good progress in implementing its SME 5-year business plan by once again achieving double-digit growth in SME loan. During the year, the Group further refined its SME model by establishing the SME Marketing Management Unit to formulate development plans, conduct strategic analysis and carry out product design and marketing. In addition, new Commercial Centre and Commercial Service Centres were set up to enhance customer segmentation and marketing. At the same time, credit approval procedures were expedited. In order to boost its competitiveness in the SME market, the Group launched several new products and refined its existing products such as "SME Quick Loan", "Credit Card Merchant Overdraft Link" and "Commercial Customers Olympic Welcome Offer". With all these initiatives, the Group registered very encouraging growth of 32.2% in SME lending in 2007.

### Substantial Expansion of Trade Finance

Under intensive promotional efforts, the Group's trade finance business attained remarkable growth in 2007. During the year, a series of promotion plans including the "Trade Peak Season Link" and "Trade Services Reward Campaign" were launched to offer attractive incentives to corporate customers. Meanwhile, a trade product team specialising in product development and marketing was set up. As a result of these initiatives, the outstanding balance of trade finance and the volume of trade bills settlement grew by 43.9% and 22.9% respectively in 2007. In addition, the constituent proportion of SME in overall trade finance business increased further and contributed to overall profitability.

### Strong Growth in Cash Management

The Group made good progress in developing its cash management business. During the year, a specialised cash management team was set up to take charge of product development and marketing. The Group has been actively designing tailor-made cash management solutions and improving its service platforms. An extra-territorial cash management project was successfully launched for a major Mainland enterprise seeking international expansion. At the same time, several other cash management projects with large Chinese enterprises have been underway. Through its improved electronic platforms and effective marketing campaigns, the Group was able to increase the number of CBS Online customers significantly by 64.0% while growing the number of BOC Wealth Master customers by eight folds in 2007.

### Vigorous Development of Custody Services

In view of the growing importance of the custody business, the Group established a custody service team in 2007 to deliver securities settlement and custody services for institutional clients and QDIs. Service platforms for local custody, global custody and escrow services were set up to pave the way for expansion. The Group also worked with BOC to successfully implement a number of major QDII mandates, and acted as a major custody service provider for QDIIs in the market. At end-2007, the Group's total assets under custody amounted to HK\$378 billion. During the year, the Group submitted its application for Qualified Foreign Institutional Investor ("QFII") status to the China Securities Regulatory Commission ("CSRC") in relation to investments in the Mainland's securities markets.

### Extension of Clearing Service in the Mainland and Macau

In early 2007, BOCHK was re-appointed by the People's Bank of China (PBOC) to continue acting as the clearing bank for RMB-denominated businesses in Hong Kong. Since 2002, the Group has been acting as an agent in Hong Kong providing clearing service for HKD cheques and USD cheques between Shenzhen and Hong Kong as well as between Guangdong and Hong Kong. The clearing service was further expanded to Macau in 2007. Taking into account the increasing commercial activities between Hong Kong and Macau, the Group introduced "Cross Border Clearing of Hong Kong Dollar Negotiable Instruments between Macau and Hong Kong" in August 2007, under which the Group acted as an agent to provide settlement services to banks operating in Macau to collect funds from HKD cheques drawn on banks in Hong Kong.

## CHINA-RELATED BUSINESS

### Robust Growth of China-related Business

China-related business has all along been one of the Group's strategic focuses. Formally incorporated on 14 December 2007, Nanyang Commercial Bank (China) Limited ("NCB (China)") commenced business as from 24 December 2007 in Shanghai. This was a milestone for the development of the Group's China-related business. In 2007, the Group introduced various growth initiatives in the Mainland. In response to the emerging needs of corporate customers for flexible financing arrangement in both the Mainland and Hong Kong, several cross-border facilities were launched. Meanwhile, bilateral business referrals made between the Group and BOC continued to be rewarding with substantial benefits gained by both sides.

The Group's Mainland branches continued to deliver strong results in 2007. Operating profit before impairment allowances increased by HK\$200 million, or 53.5%, due mainly to the increase in advances to customers. Total advances to customers rose by 60.9% to HK\$30.0 billion, of which RMB loans surged by 194.2%. Customer deposits increased by 48.4% to HK\$5.8 billion. Loan quality remained sound, with the classified loan ratio standing at 0.68%.

The business scope of the Group's Mainland branches and sub-branches continued to expand. By the end of 2007, the Group had a total of 15 branches and sub-branches in the Mainland. Among them, 12 Mainland branches and sub-branches have been permitted to conduct RMB business\* while 15 Mainland branches and sub-branches have been licensed to conduct derivatives business and 14 Mainland branches and sub-branches have been allowed to provide insurance agency services. In 2007, the Group put more effort in promoting the residential mortgage business by introducing a series of new products such as the "Bi-weekly Mortgage Repayment Plan". To further expand the wealth management business in the Mainland, the Group launched a series of structured products. Besides, the Group formed a strategic alliance with insurance companies for developing insurance agency business in the Mainland. 13 Mainland branches and sub-branches were granted the qualification of QDII. During the year, the Group introduced a number of QDII products, including the "NCB China Equity Fund" and "BOCHK Bauhinia". All were well received by customers. To cater for the emerging needs of Mainland customers, a brand-new website was launched in October 2007 to enable them to access the full range of banking services via online banking.

\* Except for Mainland residents

## TREASURY

HK\$m, except percentage amounts	Full-year ended 31 December 2007	Restated Full-year ended 31 December 2006	Increase/ (decrease)
Net interest income	5,869	4,406	+33.2%
Other operating income	206	743	-72.3%
Operating income	6,075	5,149	+18.0%
Operating expenses	(627)	(521)	+20.3%
Operating profit	5,448	4,628	+17.7%
Net charge of impairment allowances on securities investments	(2,133)	–	N/A
Others	–	(2)	N/A
Profit before taxation	3,315	4,626	-28.3%

	At 31 December 2007	Restated At 31 December 2006	Increase/ (decrease)
Segment assets	566,661	517,200	+9.6%
Segment liabilities	116,095	98,532	+17.8%

Note: For additional segmental information, see Note 10 to the Summary Financial Statements.

## Results

The Treasury segment recorded a profit before taxation of HK\$3,315 million. Net interest income increased by 33.2%. The increase was offset by the decrease in other operating income, the rise in operating expenses and the net charge for impairment allowances on securities investments.

The rise in the net interest income was mainly due to the growth of surplus funds as well as higher average investment yield. Higher market interest rates and reinvestment of matured debt securities improved the investment yield in 2007.

Other operating income fell by 72.3% to HK\$206 million. The fall was caused mainly by the net trading loss on foreign exchange swap contracts and the decline in net trading income from interest rate instruments and commodities. Meanwhile, the net trading income of equity instruments rose after the successful launch of structured notes and equity warrants.

Operating expenses rose by 20.3% to HK\$627 million after pay rise and the recruitment of new staff.

Net charge of impairment allowances on securities investments of HK\$2,133 million was made for the Group's portfolio of US asset-backed securities.

### Diversifying Investment Portfolio and Growing IPO Business

The capital market was becoming increasingly volatile in 2007. Owing to the credit crunch in the second half of the year, borrowing costs surged and credit spread widened significantly which created a challenging environment for treasury management. In view of the changeable market conditions, the Group closely monitored its asset and liability structure as well as the credit spread movements, and adopted appropriate investment strategies to grow return on surplus funds. During the year, the Group adjusted its asset allocation and increased debt securities investments in large commercial banks to grow its interest income. It also strengthened its balance sheet management and structural risk management by implementing the Asset Liability Management System in August 2007. As a receiving bank for 36 IPOs in 2007, the Group managed a total amount of over HK\$1,900 billion in IPO-related funds.

### Expanding Product Offerings and Reinforcing Market Position in Hong Kong

The Group continued to develop its treasury products to serve customers' needs. The Group believed that the blooming investment market was offering a good opportunity for expanding the scope of its treasury products and embarked on a notes programme by issuing its first structured notes in February 2007. These products received keen response from customers. At the same time, equity warrants were launched and traded on the Stock Exchange of Hong Kong in 2007. In view of increasing market demand for hedging the RMB exchange risk, the Group strengthened its marketing initiatives on Chinese Yuan Non-Deliverable Forward Contracts ("RMB NDF Contracts"). These new products not only helped to diversify the Group's treasury product portfolio but also solidified the Group's market position in the local RMB market.

### INSURANCE

HK\$m, except percentage amounts	Full-year ended 31 December 2007	Restated Full-year ended 31 December 2006	Increase/ (decrease)
Net interest income	788	473	+66.6%
Other operating income	9,030	6,421	+40.6%
Operating income	9,818	6,894	+42.4%
Net insurance benefits and claims	(9,440)	(6,655)	+41.8%
Net operating income	378	239	+58.2%
Operating expenses	(117)	(65)	+80.0%
Profit before taxation	261	174	+50.0%

	At 31 December 2007	Restated At 31 December 2006	Increase/ (decrease)
Segment assets	24,545	15,804	+55.3%
Segment liabilities	23,182	14,649	+58.2%

Note: For additional segmental information, see Note 10 to the Summary Financial Statements.

## Results

The Group's Insurance segment delivered good results in 2007. Profit before taxation rose by 50.0% to HK\$261 million. This was mainly driven by a significant increase in net interest income.

Net interest income rose by 66.6% to HK\$788 million. This was primarily attributable to an increase in investments in debt securities made possible by the significant growth of premium income. Other operating income increased by 40.6% to HK\$9,030 million due mainly to the growth of net insurance premium income. In line with the growth of net insurance premium income, net insurance benefits and claims increased by 41.8% to HK\$9,440 million.

Operating expenses were up 80.0% to HK\$117 million, primarily due to the increase in promotional expenses and recruitment of new staff.

Assets in the Insurance segment grew by 55.3% because of the increase in investments in interest rate instruments and equity instruments. Liabilities rose by 58.2% with an increase in insurance contract liabilities.

### Broadening Product Range and Stepping Up Marketing Effort

Following the combination with BOC Life in 2006, the Group continued to grow its insurance business by offering a wide range of single premium products while at the same time diversifying regular pay and other investment-linked products to meet the demand of customers. New single premium products such as the "Supreme Saver 07-5-year Endowment Plan" and "Fortune Saving Protection Plan", were successfully launched with enthusiastic response from customers. At the same time, the Group broadened its product offerings of regular pay products such as the "Blossom 8-year Endowment Plan" and "Get Free Insurance Plan". Moreover, investment-linked products were further refined by means of an expanded array of investment funds. In order to boost the sales of regular pay products and investment-linked plans, a series of promotion campaigns, customer referral schemes and promotional sponsors were launched during the year. As a result, sales of regular pay products and investment-linked plans were up 27.4% and 428.5% respectively year-on-year.

The Bancassurance Academy, the Group's in-house sales training facility, continued to provide various training programmes to the Group's marketing staff. During the year, the Group further expanded its training programmes to equip frontline staff with deeper and broader professional knowledge and better sales techniques by offering more than 30 classes. On-site training was also arranged for the Group's frontline staff deployed at its branches.

### Strengthening Sales Channel

Under the Group's RPC model, the sales and distribution platform of insurance products has been reinforced. Given the Group's large customer base and extensive distribution network, initiatives were taken by frontlines and BOC Life to improve the marketing efficiency within the Group. A telemarketing call centre was established in October to promote products directly to target customers. Two specialised units were also set up to serve personal customers and corporate clients separately, which helped achieve marketing effectiveness while strengthening BOC Life's team-up with the Group's other marketing units.

## REGULATORY DEVELOPMENT

### Basel II Capital Accord

Following the release of the new international capital adequacy framework – known as Basel II, by Basel Committee on Banking Supervision in 2004, Hong Kong banks introduced Basel II in January 2007. The new framework aligns regulatory capital requirements more closely with inherent risks and introduces new capital charge on operational risk. It also stipulates a framework for the supervisory review of capital adequacy by the regulatory authority and a greater scope of disclosure on capital adequacy and risk management.

The Group has devoted substantial resources to the implementation of Basel II and made good progress in 2007. In relation to Pillar One, Standardised Approach was adopted to calculate minimum capital requirement on credit risk, market risk and operational risk. The Group intends to gradually adopt the Foundation Internal Ratings-Based ("FIRB") approach, which is a more risk sensitive approach, on the calculation of the regulatory capital requirements. The related gap analysis together with a roadmap to meet the FIRB requirements was completed. Meanwhile, the Group has completed the development of several rating models and the related process reengineering is in progress.

Under Pillar Two, the Group has been establishing its internal capital adequacy assessment process ("ICAAP"). For the purpose of setting a target capital adequacy ratio, scorecard methodology is used in determining capital add-on and minimum capital adequacy ratio. The Group considers ICAAP as an ongoing process for capital management and periodically reviews its capital structure with the overall risk profile.

To comply with Pillar III on the disclosure requirements prescribed by the Banking (Disclosure) Rules ("Disclosure Rules"), the Group has formulated its Disclosure Policy, which is implemented in accordance with the Disclosure Rules.

### **IMPLEMENTATION OF RELATIONSHIP-PRODUCT-CHANNEL ("RPC") MODEL**

In accordance with its 2006-2011 Strategic Plan, the Group started implementing the Relationship-Product-Channel ("RPC") Model in March 2007. The Group believes that the new business model which is based on a customer-centric management concept will enable it to better serve customers with products and services that are tailored to their needs and will enhance operational efficiency. Under this model, the Group has proceeded to reinforce its capabilities in customer relationship management, product management and channel management by adopting a more refined customer segmentation model, putting in place professional product management and servicing teams, and optimising channels and workflows. During the year, the Group made significant progress in implementing the model. This include the realignment of the organisational structure, the establishment of relationship and product management teams, the enhancement of the channel management system, the fine-tuning of the performance assessment system, the review and refinement of policies and business processes, the optimisation of the authorisation procedures and staff training being organised at all levels. Furthermore, regular communication between the teams responsible for customer relationship, product management and channel management was established to foster the understanding of customers' needs and to reinforce marketing efforts. Benefits resulting from the first year of the implementation of the RPC Model are clearly reflected in the improved performance of all business segments reported in the foregoing sections.

### **CORPORATE DEVELOPMENT, TECHNOLOGY AND OPERATIONS**

#### **Human Resources**

The Group believes that continuous investment in human resources is critical to its long-term business growth and the realisation of its vision and strategic goals. Under the RPC model, the Group initiated various reforms to adjust the organisational structure, reposition the staff and refine the staff performance management system. New staff members were recruited to meet the needs of the business units. At the same time, the Group is in the progress of reviewing and refining various job functions and positions with a view to promoting career development, raising the staff's sense of responsibility, and encouraging initiative-taking. The aim is to further enhance the Group's performance-driven corporate culture, and attract and retain talent.

In 2007, the Group continued to provide different training programmes for all levels of staff to improve productivity and service quality. EMBA programmes and executive development programmes conducted jointly with reputable universities such as Harvard University and University of Oxford were organised for the senior management and selected staff. More than 1,700 internal training courses were organised under the staff development plan. Such courses included workshops and seminars covering economic development, risk management, legal and compliance, corporate governance, corporate culture, marketing, and leadership. In April 2007, the Group established the Wealth Management Academy to upgrade the sales capability of frontline staff. Professional qualification programmes were also offered to frontline and Mainland staff to help them acquire professional qualifications. Moreover, a three-year Management Trainee Programme and a one-year Officer Trainee Programme have also been in place since 2006.

### Technology and operations

In 2007, the Group continued to execute its 5-year IT development strategy to reinforce its information technology infrastructure. To support business growth, various projects were initiated to enhance the functionality and expand the processing capacity of information technology platforms. For instance, the RMB clearing and settlement platform was strengthened to support RMB bond services. The custody platform was enhanced to expand processing capacity, improve operational efficiency and service quality. The Group also took timely initiatives to expand the capacity of its Securities Management System to cope with the record-high stock trading volume in 2007. The capacity of the telephone banking System was expanded. The teller platform has been undergoing renovation in phases. In October 2007, a new Loan System was launched to facilitate the development of new loan products and the analysis of loan performance, promote product management, and improve operational efficiency. Furthermore, the workflow for processing mortgage loans was enhanced to cope with the increasing business volume and help maintain the Group's leading position in the mortgage business.

Following the incorporation of NCB (China), the Group proceeded to streamline the operation of China-related business by refining its operational policies and procedures, optimising business processes, and organising appropriate training for staff.

As part of the Group's IT development strategy, the Financial and Financial Risk Management System ("FRMS"), to be rolled out in phases, was initiated to revamp the existing computer systems for different finance functions, including financial accounting, management reporting, multi-dimension profitability analysis, capital management, and asset and liability management. In August 2007, the Group successfully launched the Asset Liability Management System, one of the milestones of the project, while the general ledger was being revamped as planned.

### CREDIT RATINGS

As at 31 December 2007	Long-term	Short-term
Fitch	A	F1
Moody's	Aa3	P-1
Standard & Poor's	A-	A-2

As at 31 December 2007, BOCHK's long-term and short-term foreign currency issuer default ratings assigned by Fitch Ratings were A and F1 respectively while the support rating was 2.

On May 30, 2007, Moody's Investors Service changed the BOCHK's outlook for long-term bank deposit ratings to stable from positive. At the same time, Aa3 long-term and P-1 short-term local and foreign currency bank deposit ratings were affirmed. BOCHK's Financial Strength Rating was C+.

On 16 February 2007, Standard & Poor's raised BOCHK's long-term counterparty credit rating to A- and affirmed its A-2 short-term counterparty credit rating.

## PROGRESS UPDATE OF 2006-2011 STRATEGIC PLAN

In March 2006, the Group announced its 2006-2011 Strategic Plan which would guide it in developing into a top-quality financial services group with a powerful base in Hong Kong, a solid presence in China, and a strategic foothold in Asia. The table below encapsulates the major progress achieved by the Group in 2007.

<ul style="list-style-type: none"> <li>Strengthening the Group's Leading Position in Hong Kong</li> </ul>	<p>The Group maintained its leading position in the syndication loan market covering Hong Kong, Macau and the Mainland, local residential mortgage business, Hong Kong RMB banking business, RMB card merchant acquiring business and RMB card issuing business. In ROE lucrative segments, the Group made good progress in the following areas:</p> <ul style="list-style-type: none"> <li><b>Wealth Management:</b> A strong wealth management platform has been created under which the total number of wealth management customers increased by 68% and assets under management rose by 46%. Investment and insurance fee income surged by 143.7%, of which fee income from stock broking and sales of funds rose significantly by 157.4% and 115.5% respectively.</li> <li><b>Consumer Lending:</b> Credit card advances and other consumer lending increased by 19.9% and 12.5% respectively.</li> <li><b>Cash Management:</b> Cash management platform was established and the Group successfully acquired as its clients a number of sizable Mainland enterprises seeking international expansion.</li> <li><b>SMEs:</b> The Group sustained double-digit growth in SME loans. The "SME Marketing Management Unit" was set up to enhance the management in this business segment.</li> <li><b>RMB Banking Services:</b> The Group remained the market leader in Hong Kong's RMB banking business and was re-appointed by PBOC to continue serving as the RMB Clearing Bank in Hong Kong. It also acted as joint lead manager and bookrunner as well as placing bank for all three RMB bonds issued in Hong Kong and was the market leader in the business.</li> </ul>
<ul style="list-style-type: none"> <li>Developing New Capabilities in Product Manufacturing/Distribution</li> </ul>	<ul style="list-style-type: none"> <li>With the implementation of the RPC model, the Group's in-house product manufacturing capabilities have been reinforced. During the year, the Group launched several products under its own brand, including a notes programme in February, equity warrants in June and QDII products such as "NCB China Equity" and "BOCHK Bauhinia".</li> <li>Private placement services were successfully launched to better serve high net worth customers.</li> <li>Securities products such as the stock broking services were upgraded to handle the significant increase in trading volume.</li> <li>To create and develop custody services, a custody service team was formed and major service platforms, covering local custody, global custody and escrow services, were built to pave the way for expansion.</li> <li>The Group formed a special purpose entity with BOC to provide back-end service support to BOC Group Bank Card in the Mainland, which will give the Group an advantage in developing its card business in China.</li> <li>After the acquisition of a 51% controlling stake in BOC Life, the Group actively expanded its insurance product portfolio. During the year, a range of new insurance products were introduced, and the sales of regular premium and investment-linked products increased by 27.4% and 428.5% respectively.</li> </ul>
<ul style="list-style-type: none"> <li>Building a Stronger Presence in China</li> </ul>	<p>2007 was a milestone for the Group's China-related business.</p> <ul style="list-style-type: none"> <li>During 2007, total advances to customers and customer deposits of the Group's Mainland branches increased significantly by 60.9% and 48.4% respectively.</li> <li>As an integral part of the Group's dualistic approach for developing China-related business, NCB (China) was incorporated.</li> <li>The Group had also submitted the application for setting up a new branch in Hangzhou.</li> <li>The application for setting up a new sub-branch in Guangzhou Panyu has been approved.</li> </ul>

<ul style="list-style-type: none"> <li>Seeking Regional Expansion</li> </ul>	<p>The Group set up a merger and acquisition team and has been actively seeking out M&amp;A opportunities in the region, with a view to identifying really suitable potential targets.</p>
<ul style="list-style-type: none"> <li>Corporate Values and Core competencies</li> </ul>	<p><b>Corporate Values</b></p> <ul style="list-style-type: none"> <li>To support long-term business growth, the Group is in the progress of reviewing its job categorisation in order to promote career development, increase the staff's sense of responsibility and encourage initiative-taking.</li> <li>The Group demonstrated its commitment to corporate social responsibility by participating actively in various social welfare and voluntary activities. For details of its involvement in community work, please refer to pages 76 to 78</li> <li>Good Corporate Citizenship.</li> </ul> <p><b>Core Competencies</b></p> <p>The Group received public recognition for its achievements in several key aspects during the year, ranging from disclosure to marketing and banking services. (For details, please refer to relevant sections in this report.)</p>

## RISK MANAGEMENT

### *Banking Group*

#### Overview

The Group believes that sound risk management is crucial to the success of any organisation. In its daily operation, the Group attaches a high degree of importance to risk management and emphasises that a balance must be struck between risk control and business growth and development. The principal types of risk inherent in the Group's businesses are reputation risk, legal and compliance risk, strategic risk, credit risk, market risk, interest rate risk, liquidity risk and operational risk. The Group's risk management objective is to enhance shareholder value by maintaining risk exposures within acceptable limits.

#### Risk Management Governance Structure

The Group's risk management governance structure is designed to cover all business processes and ensure various risks are properly managed and controlled in the course of conducting business. The Group has a sound risk management organisational structure with a comprehensive set of policies and procedures to identify, measure, monitor and control various risks that may arise. These risk management policies and procedures are regularly reviewed and modified to reflect changes in markets and business strategies. Various groups of risk takers assume their respective responsibilities for risk management.

The Board of Directors, representing the interests of shareholders, is the highest decision-making authority of the Group and has the ultimate responsibility for risk management. The Board, with the assistance of the Risk Committee ("RC"), has the primary responsibility for the formulation of risk management strategies and for ensuring that the Group has an effective risk management system to implement these strategies. The RC, a standing committee established by the Board of Directors, is responsible for overseeing the Group's various types of risks, reviewing and approving high-level risk-related policies and overseeing their implementation, reviewing significant or high risk exposures or transactions and exercising its power of veto if it considers that any transaction should not proceed. The Audit Committee ("AC") assists the Board in fulfilling its role in overseeing the internal control system.

The Chief Executive ("CE") is responsible for managing the Group's various types of risks, approving detailed risk management policies, and approving material risk exposures or transactions within his authority delegated by the Board of Directors. The Chief Risk Officer ("CRO") assists the CE in fulfilling his responsibilities for the day-to-day management of risks. The CRO is responsible for initiating new risk management strategies, projects and measures that will enable the Group to better monitor and manage new risk issues or areas that may arise from time to time from new businesses, products and changes in the operating environment. He may also take appropriate initiatives in response to regulatory changes. The CRO is also responsible for reviewing material risk exposures or transactions within his delegated authority and exercising his power of veto if he believes that any transaction should not proceed.

Various units of the Group have their respective risk management responsibilities. Business units act as the first line of defence while risk management units, which are independent from the business units, are responsible for the day-to-day management of different kinds of risks. Risk management units have the primary responsibilities for drafting, reviewing and updating various risk management policies and procedures.

The Group's principal banking subsidiaries, Nanyang and Chiyu have also formulated their own policies that are consistent with those of the Group. These subsidiaries execute their risk management strategies independently and report to the Group's management on a regular basis.

#### **Reputation Risk Management**

Reputation risk is the risk that negative publicity regarding the Group's business practices, whether genuine or not, will cause a potential decline in the customer base or lead to costly litigation or revenue erosion. Reputation risk is inherent in every aspect of business operation and covers a wide spectrum of issues.

In order to mitigate reputation risk, the Group has formulated its Reputation Risk Management Policy that is diligently implemented. This policy provides guidance to prevent and manage reputation risk proactively at an early stage. It requires constant monitoring of external reputation risk incidents and published failures of risk incidents in the financial industry.

#### **Legal and Compliance Risk Management**

Legal risk is the risk that unenforceable contracts, lawsuits or adverse judgments may disrupt or otherwise negatively affect the operation or financial condition of the Group. Compliance risk is the risk of legal or regulatory sanctions, financial loss, or loss to reputation a bank may suffer as a result of its any failure to comply with all applicable laws and regulations. By establishing and maintaining appropriate policies and guidelines, the CRO, working through the Legal and Compliance Department, is responsible for proactively identifying and managing these risks.

#### **Strategic Risk Management**

Strategic risk generally refers to the risks that may induce immediate or future negative impact on the financial and market positions of the Group because of poor strategic decisions, improper implementation of strategies and lack of response to the market.

The Board of Directors reviews and approves the policy for the management of strategic risks. Key strategic issues have to be fully evaluated and properly endorsed by the senior management and the Board.

#### **Credit Risk Management**

Credit risk is the risk that a customer or counterparty will be unable to or unwilling to meet a commitment it has entered into with the Group. It arises mainly from lending, trade finance, treasury and inter-bank transactions. For details of the Group's Credit Risk Management, please refer to Note 2 to the Summary Financial Statements.

#### **Market Risk Management**

Market risk is the risk of loss that results from movements in market rates and prices. The Group's market risk arises from trading positions taken from customer-related business and proprietary trading. For details of the Group's Market Risk Management, please refer to Note 2 to the Summary Financial Statements.

#### **Interest Rate Risk Management**

The Group's interest rate risk exposures are mainly structural. The major types of interest rate risk from structural positions are repricing risk, basis risk, yield curve risk and option risk. For details of the Group's Interest Rate Risk Management, please refer to Note 2 to the Summary Financial Statements.

### Liquidity Risk Management

The aim of liquidity management is to enable the Group to meet, even under adverse market conditions, all its maturing repayment obligations on time, and to fund all its asset growth and strategic opportunities without forced liquidation of its assets at short notice.

The Group funds its operations principally by accepting deposits from retail and corporate depositors. In addition, the Group may issue certificates of deposit to secure long-term funds. Funding may also be secured through adjusting the asset mix in the Group's investment portfolio. The Group uses the majority of funds raised to extend loans, to purchase debt securities or to conduct interbank placements.

The Group monitors the liquidity risks using cash flow analysis (under normal condition and stress conditions respectively) and by examining deposit stability, concentration risk, liquidity ratio, mismatch ratios, loan-to-deposit ratio and liquidity profile of the investment portfolio. The Asset and Liability Management Committee ("ALCO") maintains oversight of liquidity risk and RC sanctions the liquidity management policies formulated by ALCO. The Treasury Department ("TD") manages the liquidity risk according to the established policies. The Finance Department monitors the Group's liquidity risks and reports to ALCO regularly. The Risk Management Department ("RMD") reviews the policies, guidelines and limits proposed by the TD.

### Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The Group has put in place an effective internal control process which requires the establishment of detailed policies and control procedures for all the key activities. Proper segregation of duties and authorisation are the fundamental principles followed by the Group. RMD formulates corporate-level policies and procedures concerning operational risk management which are approved by RC. The management of respective business lines is responsible for managing and reporting operational risks specific to their business units by applying respective tools such as key risk indicators, self assessment and operational risk events reporting mechanism to identify, assess and control the risks inherent in their business processes, activities and products. These are followed by periodic monitoring and ongoing review of changes by RMD. Besides the current operational risk status, trends derived from historical data are served as alert on potential risks. RMD evaluates the operational risk profile, records operational risk data and reports operational risk issues to RC and senior management. The Group also takes out insurance to minimise the impact of unforeseeable operational risks.

Business continuity plans are in place to support business operations in the event of emergency or disaster. Adequate backup facilities are maintained and periodic drills are conducted.

### Capital Management

The major objective of capital management is to maximise total shareholders' return while maintaining a capital adequacy position commensurate with the Group's overall risk profile. The Group periodically reviews its capital structure and adjusts the capital mix where appropriate to achieve the required rate of return on capital. ALCO monitors the Group's capital adequacy. The Group has complied with all the statutory capital standards for all the periods.

To comply with HKMA's requirements as stated in the Supervisory Policy Manual "Supervisory Review Process", the Group has initiated its internal capital adequacy assessment process ("ICAAP"). Using the statutory minimum capital adequacy ratio ("CAR"), 8%, as a starting point, extra capital (capital add-on) needed to cover the risks not captured under Pillar I was assessed. Scorecard methodology has been used to evaluate the Group's risk profile in order to assess the capital add-on and determine the minimum CAR for the Group's long-term growth.

### Stress Testing

The Group supplements the analysis of various types of risks with stress testing. Stress testing is a risk management tool for estimating the Group's risk exposures under stressed conditions arising from extreme but plausible market or macroeconomic movements. These tests are conducted on a regular basis and ALCO monitors the results against limits approved by RC. Stress test results are also reported to the Board and RC regularly.

### **BOC Life Insurance**

The principal activity of BOC Life's business is the underwriting of long-term insurance business in life and annuity, linked long-term business and retirement scheme management in Hong Kong. Major types of risks inherent in the BOC Life's insurance business include insurance risk, interest rate risk and credit risk. BOC Life manages these risks independently and reports to RC on a regular basis. The key risks of its insurance business and related risk control process are as follows:

#### **Insurance Risk Management**

BOC Life is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. BOC Life manages these risks through the application of its underwriting policies and reinsurance arrangement.

The underwriting strategy is intended to set premium pricing at an appropriate level that corresponds with the underlying exposure of the risks underwritten. Screening processes, such as the review of health condition and family medical history, are also included in BOC Life's underwriting procedures.

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon BOC Life's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

For the in-force insurance contracts, most of the underlying insurance liabilities are related to endowment and unit-linked insurance products. For most of the insurance policies issued by it, BOC Life has a retention limit on any single life insured. BOC Life reinsures the excess of the insured benefit over the limit for standard risks (from a medical point of view) under an excess of loss reinsurance arrangement. BOC Life does not have in place any reinsurance for contracts that insure against survival risk.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. In order to assess the uncertainty due to the mortality assumption and lapse assumption, BOC Life conducts mortality study and lapse study in order to determine the appropriate assumptions. In these studies, consistent results are reflected in both assumptions with appropriate margins.

#### **Interest Rate Risk Management**

The main risk that BOC Life faces due to the nature of its investment and liabilities is interest rate risk. BOC Life manages these positions within an asset liability management ("ALM") framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance contracts. For each distinct category of liabilities, a separate portfolio of assets is maintained. The principal technique of ALM is to match assets to the liabilities arising from insurance contracts by reference to the types of benefits payable to contracts holders.

#### **Counterparty Risk Management**

BOC Life has exposure to counterparty risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where BOC Life's insurance business is exposed to include:

- counterparty risk with respect to structured products transactions and debt securities
- reinsurers' share of insurance unpaid liabilities
- amounts due from re-insurers in respect of claims already paid
- amount due from insurance contract holders
- amount due from insurance intermediaries

BOC Life manages counterparty risk by placing limits on its exposure to each investment counterparty or group of counterparties. Such limits are subject to annual or more frequent review by the management.



# ***SWIFTER,***

Nanyang Commercial Bank (China) Limited, a solely owned subsidiary of the Group, was open for business on 24 December 2007 in Shanghai. It provides comprehensive, quality and professional financial services to the Mainland customers.

# *HIGHER, STRONGER*

Welcome the Year of  
the Olympics With Joy



## BOARD OF DIRECTORS

*Chairman*

**XIAO Gang<sup>#</sup>**

*Vice Chairmen*

**SUN Changji<sup>#</sup>**

**HE Guangbei**

*Directors*

**LI Zaohang<sup>#</sup>**

**ZHOU Zaiqun<sup>#</sup>**

**ZHANG Yanling<sup>#</sup>**

**LEE Raymond Wing Hung**

**GAO Yingxin**

**FUNG Victor Kwok King<sup>\*</sup>**

**KOH Beng Seng<sup>\*</sup>**

**SHAN Weijian<sup>\*</sup>**

**TUNG Chee Chen<sup>\*</sup>**

**TUNG Savio Wai-Hok<sup>\*</sup>**

**YANG Linda Tsao<sup>\*</sup>**

<sup>#</sup> Non-executive Directors

<sup>\*</sup> Independent Non-executive Directors

## REGISTERED OFFICE

52nd Floor  
Bank of China Tower  
1 Garden Road  
Hong Kong

## AUDITORS

PricewaterhouseCoopers

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Rooms 1712 – 1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

## SENIOR MANAGEMENT

*Chief Executive*

**HE Guangbei**

*Deputy Chief Executive*

**LAM Yim Nam**

*Chief Financial Officer*

**LEE Raymond Wing Hung**

*Deputy Chief Executive*

**GAO Yingxin**

*Chief Risk Officer*

**CHEUNG Yau Shing**

*Chief Information Officer*

**LIU Peter Yun Kwan**

*Company Secretary*

**YEUNG Jason Chi Wai**

## ADS DEPOSITARY BANK

Citibank, N.A.  
388 Greenwich Street  
14th Floor  
New York, NY 10013  
United States of America

## WEBSITE

[www.bochk.com](http://www.bochk.com)

# BOARD OF DIRECTORS AND SENIOR MANAGEMENT



Mr. XIAO Gang



Mr. SUN Changji



Mr. HE Guangbei



Mr. LI Zaohang



Mr. ZHOU Zaiqun



Mdm. ZHANG Yanling



Mr. LEE Raymond Wing Hung



Mr. GAO Yingxin



Dr. FUNG Victor Kwok King



Mr. KOH Beng Seng

## Directors

### **Mr. XIAO Gang** *Chairman*

Aged 49. Chairman of the Board of Directors of the Company and BOCHK. Chairman of BOC. Director of BOC (BVI) and BOCHKG.

### **Mr. SUN Changji** *Vice Chairman*

Aged 65. Vice Chairman of the Board of Directors and Chairman of Nomination and Remuneration Committee of the Company and BOCHK. Director of BOC (BVI) and BOCHKG.

### **Mr. HE Guangbei** *Vice Chairman and Chief Executive*

Aged 53. Vice Chairman, Chief Executive and member of Strategy and Budget Committee of the Company and BOCHK. Chairman of Nanyang, Nanyang (China), Chiyu, BOC Life, Hong Kong Interbank Clearing Limited and HKICL Services Limited, Vice Chairman of Hong Kong General Chamber of Commerce and director of Hong Kong Note Printing Limited. Designated representative of BOCHK to the Hong Kong Association of Banks and presiding Chairman in 2008. Member of the Exchange Fund Advisory Committee and Banking Advisory Committee of the HKMA. Board member of Hong Kong Airport Authority, member of the Executive Committee of the Hong Kong Government Commission on Strategic Development.

### **Mr. LI Zaohang** *Non-executive Director*

Aged 52. Non-executive Director and member of Nomination and Remuneration Committee of the Company and BOCHK. Executive Director and Executive Vice President of BOC.

### **Mr. ZHOU Zaiqun** *Non-executive Director*

Aged 55. Non-executive Director and member of Audit Committee and Strategy and Budget Committee of the Company and BOCHK. Executive Director and Executive Vice President of BOC and Chairman of BOC-CC.

### **Mdm. ZHANG Yanling** *Non-executive Director*

Aged 56. Non-executive Director and member of Risk Committee of the Company and BOCHK. Executive Vice President of BOC. Chairman of Bank of China (UK) Limited and Vice Chairman of BOCI.

### **Mr. LEE Raymond Wing Hung** *Executive Director and Chief Financial Officer*

Aged 58. Executive Director of the Company and the Bank as well as Chief Financial Officer of the Group. Director

of Nanyang, Nanyang (China), BOC-CC and BOC Life.

### **Mr. GAO Yingxin** *Executive Director and Deputy Chief Executive*

Aged 45. Executive Director of the Company and the Bank as well as Deputy Chief Executive in charge of Corporate Banking and Financial Institutions. Vice Chairman of Nanyang (China) and director of Nanyang, BOC Insurance and BOC International (China) Limited.

### **Dr. FUNG Victor Kwok King** *Independent Non-executive Director*

Aged 62. Independent Non-executive Director and member of Audit Committee and Nomination and Remuneration Committee of the Company and BOCHK. Chairman of the Li & Fung Group of companies.

### **Mr. KOH Beng Seng** *Independent Non-executive Director*

Aged 57. Independent Non-executive Director and Chairman of Risk Committee and member of the Audit Committee of the Company and BOCHK. Chief Executive Officer of Octagon Advisors Pte Ltd.



Mr. SHAN Weijian



Mr. TUNG Chee Chen



Mr. TUNG Savio Wai-Hok



Mdm. YANG Linda Tsao



Mr. LAM Yim Nam



Mr. CHEUNG Yau Shing



Mr. LIU Peter Yun Kwan



Mr. YEUNG Jason Chi Wai

## Directors

### **Mr. SHAN Weijian**

*Independent Non-executive Director*

Aged 54. Independent Non-executive Director and Chairman of Audit Committee and member of Nomination and Remuneration Committee of the Company and BOCHK. Partner of TPG Capital.

### **Mr. TUNG Chee Chen**

*Independent Non-executive Director*

Aged 65. Independent Non-executive Director and member of Audit Committee and Nomination and

Remuneration Committee of the Company and BOCHK. Chairman and Chief Executive Officer of Orient Overseas (International) Limited.

### **Mr. TUNG Savio Wai-Hok**

*Independent Non-executive Director*

Aged 56. Independent Non-executive Director and member of Audit Committee, Risk Committee and Strategy and Budget Committee of the Company and BOCHK. Managing Director of Investcorp and Head of Investcorp's Technology Investment Group.

### **Mdm. YANG Linda Tsao**

*Independent Non-executive Director*

Aged 81. Independent Non-executive Director and member of Audit Committee and Nomination and Remuneration Committee of the Company and BOCHK. Chairlady of Strategy and Budget Committee of the Company and BOCHK. Chairlady of the Asian Corporate Governance Association (ACGA).

## Senior Management

### **Mr. LAM Yim Nam**

*Deputy Chief Executive*

Aged 55. Deputy Chief Executive in charge of Personal Banking and Product Management, Channel Management and BOC-CC. Director of BOC-CC and BOC Life. Deputy General Manager of the Kwangtung Provincial Bank, Hong Kong Branch from 1989 to 1998.

### **Mr. CHEUNG Yau Shing**

*Chief Risk Officer*

Aged 46. Chief Risk Officer in charge of the Group's overall risk management function, overseeing BOCHK's Risk

Management Department and Legal and Compliance Department. Director of Nanyang and Nanyang (China).

### **Mr. LIU Peter Yun Kwan**

*Chief Information Officer*

Aged 56. Chief Information Officer in charge of the Group's Information Technology Department. Former Sector Head – Business Consulting Services (Financial Services Sector) for IBM China/Hong Kong Limited. Former Regional Chief Operating Officer of UBS Investment Bank and former Global Business Technology Officer of UBS Private Banking.

### **Mr. YEUNG Jason Chi Wai**

*Company Secretary*

Aged 53. Company Secretary of the Company and BOCHK. Secretary to the Board of Directors and Company Secretary of BOC.

The Directors are pleased to present their report together with the Summary Financial Statements of the Company and its subsidiaries for the year ended 31 December 2007.

## Principal Activities

The principal activities of the Group are the provision of banking and related financial services. An analysis of the Group's performance for the year by business segments is set out in Note 10 to the Summary Financial Statements.

## Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 80.

The Board has recommended a final dividend of HK\$0.487 per share, amounting to approximately HK\$5,149 million, subject to the approval of shareholders at the forthcoming annual general meeting to be held on Tuesday, 20 May 2008. If approved, the final dividend will be paid on Tuesday, 27 May 2008 to shareholders whose names appear on the Register of Members of the Company on Monday, 19 May 2008. Together with the interim dividend of HK\$0.428 per share declared in August 2007, the total dividend payout for 2007 would be HK\$0.915 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 Wednesday, 14 May 2008 to Monday, 19 May 2008 (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 4:30 p.m. on Tuesday, 13 May 2008. Shares of the Company will be traded ex-dividend as from Friday, 9 May 2008.

## Reserves

Details of movements in the reserves of the Group are set out in Note 9 to the Summary Financial Statements.

## Donations

Charitable and other donations made by the Group during the year amounted to approximately HK\$9 million.

## Properties, Plant and Equipment

Details of movements in properties, plant and equipment of the Group are set out in Note 6 to the Summary Financial Statements.

## Share Capital

Details of the share capital of the Company are set out in Note 8 to the Summary Financial Statements.

As at the latest practicable date prior to the issue of this Summary Financial Report and based on publicly available information, the public float of the Company was approximately 34%. The Directors consider that there is sufficient public float in the shares of the Company.

## Distributable Reserves

Distributable reserves of the Company as at 31 December 2007, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to approximately HK\$11,155 million.

## Five-year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five years is set out on page 5.

## Directors

The present Directors of the Company are set out on page 56. The biographical details of the Directors and senior management are set out on pages 57 to 58 of this Summary Financial Report. The term of office for each Non-executive Director is approximately three years.

Mr. Lee Raymond Wing Hung and Mr. Gao Yingxin were appointed as Executive Directors of the Company on 25 May 2007. Mr. Hua Qingshan resigned as Non-executive Director of the Company with effect from 15 June 2007.

Article 103 of the Company's Articles of Association provides that any Director appointed by the Board shall

hold office only until the next annual general meeting of the Company, but shall be eligible for re-election at such meeting. Accordingly, Mr. Lee Raymond Wing Hung and Mr. Gao Yingxin being Directors so appointed, shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for election.

In accordance with Article 98 of the Company's Articles of Association, at each annual general meeting, one-third of the Directors or the nearest number to but not less than one-third of the Directors shall retire from office by rotation and be eligible for re-election. Accordingly, Mr. He Guangbei, Mdm. Zhang Yanling, Dr. Fung Victor Kwok King and Mr. Shan Weijian will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the retiring Independent Non-executive Directors, namely, Dr. Fung Victor Kwok King and Mr. Shan Weijian, has given an annual confirmation of his independence to the Company. Based on such confirmation and the information available to the Board, and by reference to the "Policy on Independence of Directors" previously adopted by the Board which sets out more stringent independence criteria than those contained in the Listing Rules, the Board considers that Dr. Fung and Mr. Shan are independent. Further, in view of their extensive knowledge and experience, the Board believes that their re-election is in the best interests

of the Company and the shareholders as a whole.

#### **Directors' Service Contracts**

No Director offering for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than the normal statutory compensation.

#### **Directors' Interests in Contracts of Significance**

No contracts of significance, in relation to the Group's business to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

#### **Directors' Interests in Competing Business**

Messrs. Xiao Gang, Li Zaohang and Zhou Zaiqun are directors of BOC. Mdm. Zhang Yanling is a member of the senior management of BOC.

BOC is a joint stock limited liability commercial bank in the Mainland of China providing a full range of commercial banking and other financial services through its associates throughout the world. Certain of the Group's operations overlap with and/or are complementary to those of BOC and its associates. To the extent that BOC or its associates compete with the Group,

the Directors believe that the Group's interests are adequately protected by good corporate governance practices and the involvement of the Independent Non-executive Directors.

Further, the Board's mandate also expressly provides that unless permissible under applicable laws or regulations, if a substantial shareholder or a Director has a conflict of interest in the matter to be considered by the Board, the matter 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.

Save as disclosed above, none of the Directors is interested in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

#### **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.

Particulars of the outstanding options granted to the Directors under the Pre-Listing Share Option Scheme as at 31 December 2007 are set out below:

Name of Director	Date of grant	Exercise price (HK\$)	Exercisable period	Number of share options					
				Granted on 5 July 2002	Balances as at 1 January 2007	Exercised during the year	Surrendered during the year	Lapsed during the year	Balances as at 31 December 2007
SUN Changji	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,590,600	1,590,600	–	–	–	1,590,600
HE Guangbei	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,084,500	361,500	–	–	723,000
LI Zaohang	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,446,000	–	–	–	1,446,000
ZHOU Zaiqun	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,446,000	–	–	–	1,446,000
ZHANG Yanling	5 July 2002	8.50	25 July 2003 to 4 July 2012	1,446,000	1,446,000	–	–	–	1,446,000
Total				7,374,600	7,013,100	361,500	–	–	6,651,600

Note: On 15 June 2007, Mr. Hua Qingshan resigned from the post of Non-executive Director of the Company. According to the terms of the Pre-Listing Share Option Scheme, the options of 1,446,000 granted to Mr. Hua Qingshan on 5 July 2002 could be exercised within three months after his resignation.

Save as disclosed above, at no time during the year was the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures

As at 31 December 2007, the Directors, the Chief Executive and their respective associates had the following interests in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers:

Name of Director	Number of shares/underlying shares held					Total	% of the issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
SUN Changji	1,590,600 <sup>1</sup>	–	–	–	–	1,590,600	0.015%
HE Guangbei	823,000 <sup>2</sup>	–	–	–	–	823,000	0.008%
LI Zaohang	1,446,000 <sup>1</sup>	–	–	–	–	1,446,000	0.014%
ZHOU Zaiqun	1,446,000 <sup>1</sup>	–	–	–	–	1,446,000	0.014%
ZHANG Yanling	1,446,000 <sup>1</sup>	–	–	–	–	1,446,000	0.014%
Total	6,751,600 <sup>1</sup>	–	–	–	–	6,751,600	0.065%

Notes:

- Such interests represented the respective Directors' interests in underlying shares in respect of the share options granted to him/her pursuant to the Pre-Listing Share Option Scheme, details of which are set out in the section titled "Directors' Rights to Acquire Shares" above.
- Such interests included Mr. He's interests in 100,000 shares and interests in 723,000 underlying shares in respect of the share options granted to him pursuant to the Pre-Listing Share Option Scheme, details of which are set out in the section titled "Directors' Rights to Acquire Shares" above.

Save as disclosed above, as at 31 December 2007, none of the Directors or the Chief Executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

### Substantial Interests in Share Capital

The register maintained by the Company pursuant to section 336 of the SFO recorded that, as at 31 December 2007, the following parties had the following interests (as defined in the SFO) in the Company set opposite their respective names:

Name of Corporation	No. of shares of HK\$5 each in the Company (% of total issued shares)	
Central SAFE	6,953,617,435	(65.77%)
BOC	6,953,617,435	(65.77%)
BOCHKG	6,949,330,256	(65.73%)
BOC (BVI)	6,949,330,256	(65.73%)

Notes:

- Following the reorganisation of BOC in August 2004, Central SAFE holds the controlling equity capital of BOC on behalf of the State. Accordingly, for the purpose of the SFO, Central SAFE is deemed to have the same interests in the Company as BOC.
- BOC holds the entire issued share capital of BOCHKG, which in turn holds the entire issued share capital of BOC (BVI). Accordingly, BOC and BOCHKG are deemed to have the same interests in the Company as BOC (BVI) for the purpose of the SFO. BOC (BVI) beneficially held 6,949,330,256 shares of the Company.
- BOC holds the entire issued share capital of BOC Insurance. Accordingly, for the purpose of the SFO, BOC is deemed to have the same interests in the Company as BOC Insurance which had an interest in 4,000,000 shares of the Company.
- BOC holds the entire issued share capital of BOCI, which in turn holds the entire issued share capital of BOCI Asia Limited and BOCI Financial Products Limited. Accordingly, BOC is deemed to have the same interests in the Company as BOCI Asia Limited and BOCI Financial Products Limited for the purpose of the SFO. BOCI Asia Limited had an interest in 91,500 shares of the Company and an interest in 117,000 shares held under physically settled equity derivatives while BOCI Financial Products Limited had an interest in 78,679 shares of the Company.

All the interests stated above represented long positions. Save as disclosed above, as at 31 December 2007, no other interests or short positions were recorded in the register maintained by the Company under section 336 of the SFO.

### Management Contracts

No contracts concerning the management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

### Share Options

Pursuant to written resolutions of all the Company's shareholders passed on 10 July 2002, the Company has approved and adopted two share option schemes, namely, the Share Option Scheme and the Sharesave Plan. No options have been granted by the Company pursuant to the Share Option Scheme or the Sharesave Plan during the year.

The following is a summary of the Share Option Scheme and the Sharesave Plan disclosed in accordance with the Listing Rules:

	<b>Share Option Scheme</b>	<b>Sharesave Plan</b>
Purpose	To provide the participants with the opportunity to acquire proprietary interests in the Company, to attract and retain the best available personnel, to encourage and motivate the participants to work towards enhancing the value of the Company and its shares, to allow the participants to participate in the growth of the Company and to align the interests of the Company's shareholders with those of the participants.	To encourage broad-based employee ownership of the Company's shares, to increase employee awareness and participation in the Company's share price performance, to provide employees with an additional vehicle for asset accumulation and to align the interests of all employees with those of the Company's shareholders.
Participants	Subject to compliance with applicable laws, any full-time or part-time employee, executive or officer of the Group, executive or non-executive director of the Group, or full-time or part-time employee, executive, officer or director of BOC or any of its subsidiaries serving as a member of any committee of the Group.	Any employee, executive, officer or director of the Group, having such qualifying period of service (if any) as the Board may determine from time to time and not having been granted any options under the Share Option Scheme.
Total number of shares available for issue and percentage of issued share capital as at 31 December 2007	The maximum number of shares in respect of which options may be granted under the Share Option Scheme, the Sharesave Plan and any other share option schemes and savings-based share option plans of any company in the Group (the "Other Schemes and Plans") shall not in aggregate exceed 10% of the shares in issue on 10 July 2002, that is, 1,057,278,026 shares.	Same as Share Option Scheme.
Maximum entitlement of each participant	The total number of shares issued and to be issued upon the exercise of the options granted and to be granted to any one participant under the Share Option Scheme and the Other Schemes and Plans (including exercised, cancelled and outstanding options) in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue from time to time.	The maximum number of shares (rounded down to the next whole number) which can be paid for at the exercise price with monies equal to the aggregate of the savings contributions the participant has undertaken to make by the Maturity Date (defined as below) and interest which may be accrued thereon. Provided that the total number of shares issued and to be issued upon the exercise of the options granted and to be granted to any one participant under the Sharesave Plan and the Other Schemes and Plans (including exercised, cancelled and outstanding options) in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue from time to time. The amount of the monthly contribution to be made by a participant shall not be less than 1% and not more than 10% of the participant's monthly salary or such other maximum or minimum amounts as permitted by the Board.

	Share Option Scheme	Sharesave Plan
Period within which the shares must be taken up under an option	Such period as shall be prescribed by the directors and specified in the letter of offer.	The thirty-day period (excluding the anniversary days) immediately after the first and second anniversary days from the date of grant or such other date as determined by the Board, or the thirty-day period immediately after the third anniversary of the date of grant or such other date as determined by the Board (the "Maturity Date"), or such other period(s) as may be determined by the Board.
Minimum period for which an option must be held before it can be exercised	Such minimum period as shall be prescribed by the directors and specified in the letter of offer.	One year.
(a) Amount payable on acceptance of the option	(a) HK\$1.00	(a) HK\$1.00
(b) Period within which payments or calls must or may be made	(b) Payment or an undertaking to make payment on demand of the Company must be received by the Company within the period open for acceptance as set out in the letter of offer which shall not be less than 7 days after the offer date.	(b) Payment or an undertaking to make payment on demand of the Company must be received by the Company not later than the date specified in the letter of invitation as the directors may determine.
(c) The period within which loans for such purposes must be repaid	(c) Not applicable.	(c) Not applicable.
Basis of determining the exercise price	The exercise price is determined on the date of grant by the directors and shall not be less than the highest of: <ul style="list-style-type: none"> <li>(a) the nominal value of the Company's shares;</li> <li>(b) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and</li> <li>(c) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.</li> </ul>	Same as Share Option Scheme.
Remaining life	The Share Option Scheme shall remain in force for a period of ten years commencing on the first day of dealings in the Company's shares on the Stock Exchange which was 25 July 2002.	The Sharesave Plan shall remain in force for a period of ten years after the date of approval and adoption of the Sharesave Plan by the Company's shareholders which was 10 July 2002.

Please refer to the section "Directors' Rights to Acquire Shares" for details of the options granted by BOC (BVI) over shares of the Company pursuant to the Pre-Listing Share Option Scheme.

### 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.

### Compliance with "Code on Corporate Governance Practices"

The Company is in full compliance with all the code provisions set out in the "Code on Corporate Governance Practices" contained in Appendix 14 of the Listing Rules and also complies with nearly all the recommended best practices set out in the said Code. For further details, please refer to the "Corporate Governance Report" contained in this Summary Financial Report.

### Major Customers

During the year, the five largest customers of the group accounted for less than 30% of the total of interest income and other operating income of the Group.

### Connected Transactions

The Independent Non-executive Directors have reviewed the transactions which the Company disclosed in a public announcement on 4 January 2005, 11 April 2006 and 28 August 2007 and confirmed that these transactions were:

- (i) entered into in the ordinary and usual course of business of the Group;

- (ii) conducted either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, were on terms that were fair and reasonable so far as the Company's shareholders are concerned;

- (iii) entered into either in accordance with the terms of the agreements governing such transactions or (where there were no such agreements) on terms no less favourable than those available to or from independent third parties, as applicable; and

- (iv) in each case where an annual cap had been set, that such cap was not exceeded.

### Budgetary Discipline and Reporting

The annual budget of the Group is reviewed and approved by the Board of Directors prior to its implementation by the Management. Financial and business targets are allocated to business units and subsidiaries. There are defined procedures for the appraisal, review and approval of major capital and recurring expenditures. Proposed significant expenditures outside the approved budget will be referred to the Board or the relevant Board committee for decision. Financial performance against targets is reported to the Board regularly.

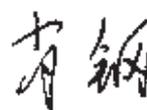
### Compliance with the Banking (Disclosure) Rules and the Listing Rules

The financial statements for the year ended 31 December 2007 comply with the requirements set out in the Banking (Disclosure) Rules under the Banking Ordinance and the applicable disclosure provisions of the Rules Governing the Listing Rules on the Stock Exchange.

### Auditors

The financial statements have been audited by PricewaterhouseCoopers. A resolution for their re-appointment as auditors for the ensuing year will be proposed at the forthcoming annual general meeting.

On behalf of the Board



**XIAO Gang**  
Chairman

Hong Kong, 25 March 2008

The Company is **committed to maintaining and upholding good corporate governance** in order to protect the interests of shareholders, customers and staff. The Company abides strictly by the laws and regulations of the jurisdiction where it operates, and observes the guidelines and rules issued by regulatory authorities such as the Hong Kong Monetary Authority, the Hong Kong Securities and Futures Commission and the Stock Exchange of Hong Kong. In particular, the Company is in full compliance with the guideline in the Supervisory Policy Manual module CG-1 issued by the Hong Kong Monetary Authority and entitled "Corporate Governance of Locally Incorporated Authorised Institutions". The Company also keeps its corporate governance system under constant review to ensure that it is in line with international and local best practices.

The Company is **in full compliance with all the provisions of the Code on Corporate Governance Practices** (the Code) as appended to the Listing Rules of Hong Kong. It also **complies with nearly all the recommended best practices** set out in the Code. In particular, the Company **publishes quarterly financial and business reviews** so that shareholders can be better updated of the performance, financial position and prospects of the Company.

This Summary Corporate Governance Report only gives a summary of the information contained in the full Corporate Governance Report which is set out in the 2007 Annual Report of the Company. The Annual Report, incorporating the full Corporate Governance Report, is available (in English and Chinese) on the Company's website at [www.bochk.com](http://www.bochk.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk)

## Corporate Governance Framework

The **Board is at the core of the Company's corporate governance framework**, and there is **clear division of responsibilities between the Board and the Management**. The Board is responsible for providing high-level guidance and effective oversight of the Management. Generally, the Board is responsible for:

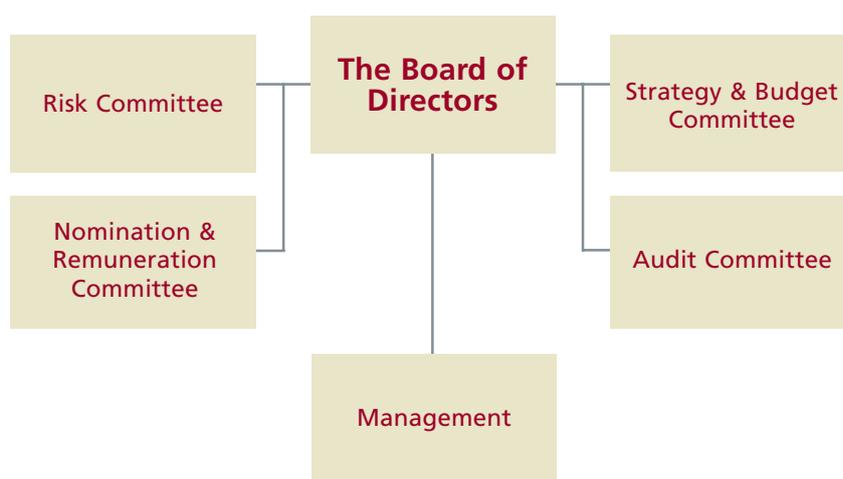
- formulating the Group's long-term strategy and monitoring the implementation thereof;
- reviewing and approving the annual business plan and financial budget;
- approving the annual, interim and quarterly reports;
- reviewing and monitoring risk management and internal control;
- ensuring good corporate governance and effective compliance; and
- monitoring the performance of the Management.

The Board authorises the Management to execute strategies that have been approved. The Management reports to the Board and is responsible for the day-to-day operation of the Group.

To avoid the concentration of power in any single individual, the **positions of the Chairman and the Chief Executive are held by two different individuals. Their roles are distinct and are clearly established and stipulated in the Board's Mandate.**

Taking into consideration market practices and international best practices in corporate governance, **the Board has established four standing Board Committees** to assist it in carrying out its responsibilities. They are the Audit Committee, Nomination and Remuneration Committee, Risk Committee, and Strategy and Budget Committee. Should the need arise, the Board will authorise an independent board committee comprising all the independent non-executive Directors to review, approve and monitor connected transactions (including the continuing connected transactions) that should be approved by the Board.

The following chart sets out the Company's corporate governance framework.



The Company's corporate website ([www.bochk.com](http://www.bochk.com)) contains detailed information on the Company's corporate governance principles and framework, the compositions of the Board and Board Committees and a summary of their respective terms of reference, shareholders' rights and the Company's Fair Disclosure Policy.

## Board of Directors

### **Non-executive Directors and independent non-executive Directors form the majority of the Board.**

This structure ensures the independence and objectivity of the Board's decision-making process as well as the thoroughness and impartiality of the Board's oversight of the Management. The Board acts honestly and in good faith in order to maximise long-term shareholder value and fulfill its corporate responsibility to other stakeholders of the Group. Its decisions are made objectively and in the best interests of the Group.

The Board currently has 14 members, comprising six independent non-executive Directors, five non-executive Directors and three executive Directors. Mr. Hua Qingshan resigned as a non-executive Director on 15 June 2007 due to change in work posting. On 25 May 2007, Mr. Lee Raymond Wing Hung and Mr. Gao Yingxin were appointed executive Directors of the Company. In accordance with the Company's Articles of Association, both Mr. Lee and Mr. Gao will retire and offer themselves for election by the shareholders at the annual general meeting of the Company to be held in May 2008. Save as disclosed above, there were no other changes to the composition of the Board in 2007 and up to the date of this report.

**All Directors possess extensive experience in banking and management, and over one third of them are independent non-executive Directors, of whom several are experts in financial and/or risk management.** The Board has adopted the "Policy on Independence of Directors", some provisions of which

are even more stringent than Rule 3.13 of the Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence by reference to the Policy. On the basis of these confirmations and information available to it, the Company considers all of them to be independent. Biographical details of the Directors are set out in the "Board of Directors and Senior Management" section of this Summary Financial Report and the Company's website at [www.bochk.com](http://www.bochk.com).

All the existing **non-executive Directors and independent non-executive Directors** of the Company have been **appointed for a fixed term, with formal letters of appointment** setting out the key terms and conditions of their appointment. The Nomination and Remuneration Committee has established a **written and formal process for the appointment of independent non-executive Directors to ensure that the appointment procedures are standardised, thorough and transparent.**

There is **no relationship (including financial, business, family or other material/relevant relationship(s)) 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, 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.

The Company has arranged for **appropriate Directors' Liability Insurance Policy to indemnify the Directors for liabilities arising out of corporate activities.** The coverage and the sum insured under the policy are reviewed annually.

To ensure that newly appointed Directors have adequate understanding of the Company's business and operation, and to enable current Directors to constantly update their skills and knowledge so that they can continue to offer informed advice and contribute to the Board, the Board enforces a **formal system for the initial induction and ongoing professional development of the Directors.**

**Nine Board meetings were held during the year with an average attendance rate of 97%.**

Apart from formal Board meetings and general meetings, there are opportunities for the Board and the Management to interact and communicate on relatively less formal occasions. Further, **off-site events will be held annually to enhance communication among Board members, and between the Board and the Management.**

### **Audit Committee**

The Audit Committee currently has seven members comprising one non-executive Director and all the six independent non-executive Directors. Independent non-executive Directors make up 86% of the Committee members. The Committee is chaired by Mr. Shan Weijian, an independent non-executive Director.

The Committee assists the Board in fulfilling its oversight role over the Company and its subsidiaries in, among others, the following areas:

- integrity of financial statements and financial reporting process;
- internal control systems;
- effectiveness of internal audit function and performance appraisal of the Head of Internal Audit;
- appointment of external auditors and assessment of their qualifications, independence and performance and, with authorisation of the Board, determination of their remuneration;
- periodic review and annual audit of the Company's and the Group's financial statements, and financial and business review;
- compliance with applicable accounting standards as well as legal and regulatory requirements on financial disclosures; and
- corporate governance framework of the Group and implementation thereof.

The work performed by the Audit Committee in 2007 included the review and, where applicable, approval of:

- the Company's Directors' Report and financial statements for the year ended 31 December 2006 and the annual results announcement that were recommended to the Board for approval;
- the Company's interim financial statements for the six months ended 30 June 2007 and the interim results announcement that were recommended to the Board for approval;
- the Company's announcements on quarterly financial and business reviews for the periods ended 31 March 2007 and 30 September

2007 that were recommended to the Board for approval;

- the audit reports and report on internal control recommendations submitted by the external auditors, and the on-site examination reports issued by regulators;
- the re-appointment of external auditors, the fees payable to external auditors for the annual audit, interim review and other non-audit services;
- the Group's internal audit plan for 2007 and key issues identified;
- the deployment of human resources and pay level of the Internal Audit, and the department's budget for 2007; and
- the 2007 key performance indicators for and 2006 performance appraisal of the Head of Internal Audit and the Internal Audit Department.

In accordance with international best practices, the Audit Committee engaged an independent consultant to conduct a quality assurance review on the Group's internal audit function in 2006. Following endorsement by the Audit Committee, the Internal Audit Department has been **implementing the recommendations proposed by the independent consultant with a view to further enhancing the effectiveness of the Group's internal audit function.**

**Seven Audit Committee meetings were held during the year with an average attendance rate of 92%.**

#### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee currently has six members comprising two non-executive Directors and four independent non-executive Directors. The independent non-executive Directors represent two-thirds of the Committee members. The Committee is chaired by Mr. Sun Changji, Vice-chairman of the Board.

The Committee assists the Board in fulfilling its oversight role over the Company and its subsidiaries in, among others, the following areas:

- overall human resources and remuneration strategies of the Group;
- selection and nomination of Directors, Board Committee members and certain senior executives as designated by the Board from time to time;
- structure, size and composition (including skills, experience and knowledge) of Directors and Board Committee members;
- remuneration of Directors, Board Committee members and senior management; and
- effectiveness of the Board and Board Committees.

The work performed by the Committee in 2007 included the review and, where applicable, approval of:

- performance appraisal of the executive Director and designated senior executives for year 2006;
- proposal on staff bonus for year 2006 and salary adjustment for year 2007 for the Group, including the designated senior executives;
- key performance indicators of the Group and the designated senior executives for year 2007;
- implementation progress of the Group's medium-term human resources strategies and other major human resources policies;
- reports on self-evaluation of the Board and Board Committees, which were analysed by the Committee. The Committee also made recommendations to the Board regarding the results of the self-evaluation, with a view to further enhancing the role and

effectiveness of the Board and Board Committees;

- recruitment of a new Deputy Chief Executive in charge of financial market business lines and the terms of employment thereof;
- service agreement and terms of employment of certain designated senior executives; and
- matters relating to the appointment of directors to the boards of certain major subsidiaries of the Group.

Pursuant to the “**Policy on Directors’ Remuneration**” adopted by the Company, in recommending the remuneration of Directors, the Committee makes reference to companies of comparable business type or scale, and the nature and quantity of work at both Board and Board Committee levels (including frequency of meetings and nature of agenda items) in order to compensate Directors reasonably for their time and efforts spent. **No individual Director is allowed to participate in the procedures for deciding his/her individual remuneration package.**

The **Nomination and Remuneration Committee** also has the delegated responsibility to **determine the specific remuneration packages of the executive Directors and designated senior executives**, including share options, benefits in kind, pension rights, etc. Currently the principal components of the Company’s remuneration packages for the executive Directors and designated senior executives include basic salary, discretionary bonus and other benefits in kind. A significant portion of the executive Directors’ or designated senior executives’ discretionary bonus is based on the Group’s and the individual’s performance during the year. The Committee reviews and recommends to the Board the annual performance targets for the executive Directors and designated senior executives by reference to the corporate goals and objectives approved by the Board

from time to time. The Committee also reviews the performance of the executive Directors and designated senior executives against the targets set on an ongoing basis, and reviews and approves their specific performance-based remuneration.

**Six Nomination and Remuneration Committee meetings were held during the year with an average attendance rate of 92%.**

### Risk Committee

Following the resignation of Mr. Hua Qingshan as a non-executive Director and member of the Risk Committee in June 2007, the Committee currently has three members, of whom two are independent non-executive Directors and one is a non-executive Director. The Committee is chaired by Mr. Koh Beng Seng, an independent non-executive Director.

The Committee assists the Board in fulfilling its oversight role over the Company and its subsidiaries in, among others, the following areas:

- formulation of the risk appetite and risk management strategy of the Group, and determination of the Group’s risk profile;
- identification, assessment and management of material risks faced by the various business units of the Group;
- review and assessment of the adequacy of the Group’s risk management process, system and internal control;
- review and monitoring of the Group’s compliance with the risk management process, system and internal control, including the Group’s compliance with prudential, legal and regulatory requirements governing the business of the Group;
- review and approval of high-level risk-related policies of the Group; and

- review of significant or high risk exposures and transactions.

The work performed by the Committee in 2007 included the following:

- review of risk management limits;
- review of Risk Management Policy Statement, Group Operating Principles and a range of risk management policies covering strategic risk, reputation risk, credit risk, market risk, operational risk, interest rate risk, liquidity risk, legal and compliance risk, and stress testing;
- review and oversight of Basel II implementation, in particular the implementation progress of Foundation Internal Ratings-Based Approach and Internal Capital Adequacy Assessment Process;
- approval of target limit for banking book investment and review of the investment strategy of the banking book;
- recommendations to the Board for further enhancing the Group’s risk management framework and structure;
- review of significant or high risk exposures and transactions; and
- review of periodic risk management reports.

**Six Risk Committee meetings were held during the year with 100% attendance at all the meetings.**

### Strategy and Budget Committee

Following the resignation of Mr. Hua Qingshan as a non-executive Director and member of the Committee in June 2007, the Strategy and Budget Committee currently comprises four members, of whom two are independent non-executive Directors, one is non-executive Director, and one is the Chief Executive and executive Director. The Committee is chaired by

Mdm. Yang Linda Tsao, an independent non-executive Director.

The Committee assists the Board in fulfilling its oversight role over the Company and its subsidiaries in, among others, the following areas:

- review, motion and monitor the Group's medium to long term strategy;
- review and monitor the Group's regular/periodic (including annual) business plan and financial budget;
- review the process for formulating the Group's medium to long term strategy to ensure that it is sufficiently robust to take into account a range of alternatives;
- monitor the implementation of the Group's medium to long term strategy through pre-determined metrics and provide guidance to the Management; and
- make recommendations to the Board on major investments, capital expenditure and strategic commitments of the Group and monitor implementation of the same.

During the year, the Strategy and Budget Committee guided and monitored the Management's implementation of the Group's medium to long term strategic plan as approved by the Board. At the same time, the Committee reviewed the Group's 2008 – 2012 rolling strategic plan as proposed by the Management, to take into account the changes in operating environment and opportunities and challenges presented by the market. The Committee also played a prominent role in driving the formulation of the Group's key business strategies, including those for the development of China business, wealth management business, life insurance, and excess funds and capital management. The Committee monitored the implementation of the Group's budget and business plan

for 2007. In planning for 2008, the Committee reviewed and endorsed the Group's 2008 financial budget and business plan, and recommended the same to the Board for approval.

**Six Strategy and Budget Committee meetings were held during the year with an average attendance rate of 97%.**

### Directors' Securities Transactions

The Company has adopted the "Code for Securities Transactions by Directors" to govern securities transactions by Directors. The terms of the said Code are more stringent than the mandatory standards set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 of the Listing Rules. Apart from the securities of the Company, the Code applies equally to the Director's dealings in the securities of BOC which was listed on the Stock Exchange of Hong Kong in June 2006. In this connection, the Company had made specific enquiry of all Directors, who confirmed that they had complied with the standards set out in both the Company's Code and the said Model Code throughout year 2007.

### External Auditors

Pursuant to the "Policy on External Auditors" adopted by the Board, the **Audit Committee** reviewed and monitored and **was satisfied with the independence and objectivity of PricewaterhouseCoopers**, the Group's external auditors, **and the effectiveness of their audit procedures.**

The Audit Committee was satisfied that the non-audit services did not affect the independence of PricewaterhouseCoopers. The non-audit service fees paid to PricewaterhouseCoopers in 2007 comprised mainly the tax-related services fee of HK\$2 million, fee in relation to the Financial and Financial Risk Management System project of HK\$1 million and miscellaneous non-audit services fee of HK\$2 million.

### Internal Control

The Board has the responsibility to ensure that the Group maintains sound and effective internal controls to safeguard the Group's assets. According to the Board's delegation, the Management is responsible for the day-to-day operations and risk management.

The Group conducts an annual review of the effectiveness of its internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management. The review is conducted by making reference to the guidelines and definitions given by the regulatory and professional bodies for the purpose of assessing five different internal control elements, namely, the control environment, risk assessment, control activities, information and communication, and monitoring. The assessment covers all the major internal controls and measures, including financial, operational and compliance controls as well as risk management functions.

The Group is committed to maintaining and upholding good corporate governance practices and internal control system of all subsidiaries and foreign operations are reviewed regularly. During the year, areas for improvement have been identified and appropriate measures have been implemented.

### Communication with Shareholders and Shareholders' Rights

**The Board attaches a high degree of importance to continuous communication with shareholders**, especially direct dialogue with them at the Company's annual general meetings. Shareholders are therefore encouraged to actively participate at such meetings.

The Chairman of the Board, the Chairmen and members of Board Committees, and representatives of PricewaterhouseCoopers were present at the Company's 2007 annual general

meeting held on 23 May 2007 at the Hong Kong Convention and Exhibition Centre to respond to questions and comments raised by shareholders.

The Board is aware of investors' concern regarding the potential dilution of the shareholders' value arising from the exercise of power pursuant to the grant of a general mandate to issue shares to the Board. Given its commitment to high standards of corporate governance, the Board announced at the 2007 annual general meeting certain **internal policies for the exercise of the powers granted to the Board under the general mandates to issue and repurchase shares** to safeguard shareholders' rights. The Board has resolved to adopt the same policies if it is granted by the shareholders the general mandates to issue and repurchase shares at the 2008 annual general meeting.

In order to enhance the transparency of shareholders' voting, **all the resolutions proposed at the Company's 2008 annual general meeting will be voted on by poll** as in previous years. The Company has engaged Computershare Hong Kong Investor Services Limited, the Company's Share Registrar, to act as the scrutineer for such purpose. The results of the poll voting will be posted on the Company's website at [www.bochk.com](http://www.bochk.com) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) as soon as practicable following conclusion of the vote-counting.

In order that shareholders can have a better understanding of the agenda items to be discussed at the 2008 annual general meeting and to encourage their active participation so that exchange of views and communication can be further enhanced, **the Company has provided detailed information on the 2008 annual general meeting in a circular** which is despatched together with this Summary Financial Report to the shareholders.

Further shareholder information is set out in the "Shareholder Information" section of this Summary Financial Report. Shareholders who wish to raise any queries with the Board may write to the Company Secretary at 52nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

#### **Directors' Responsibility Statement in relation to Financial Statements**

The following statement should be read in conjunction with the auditors' statement of their responsibilities as set out in the auditors' report contained in this Summary Financial Report. The statement is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are required by the Hong Kong Companies Ordinance to prepare financial statements, which give a true and fair view of the state of affairs of the Company. The financial statements

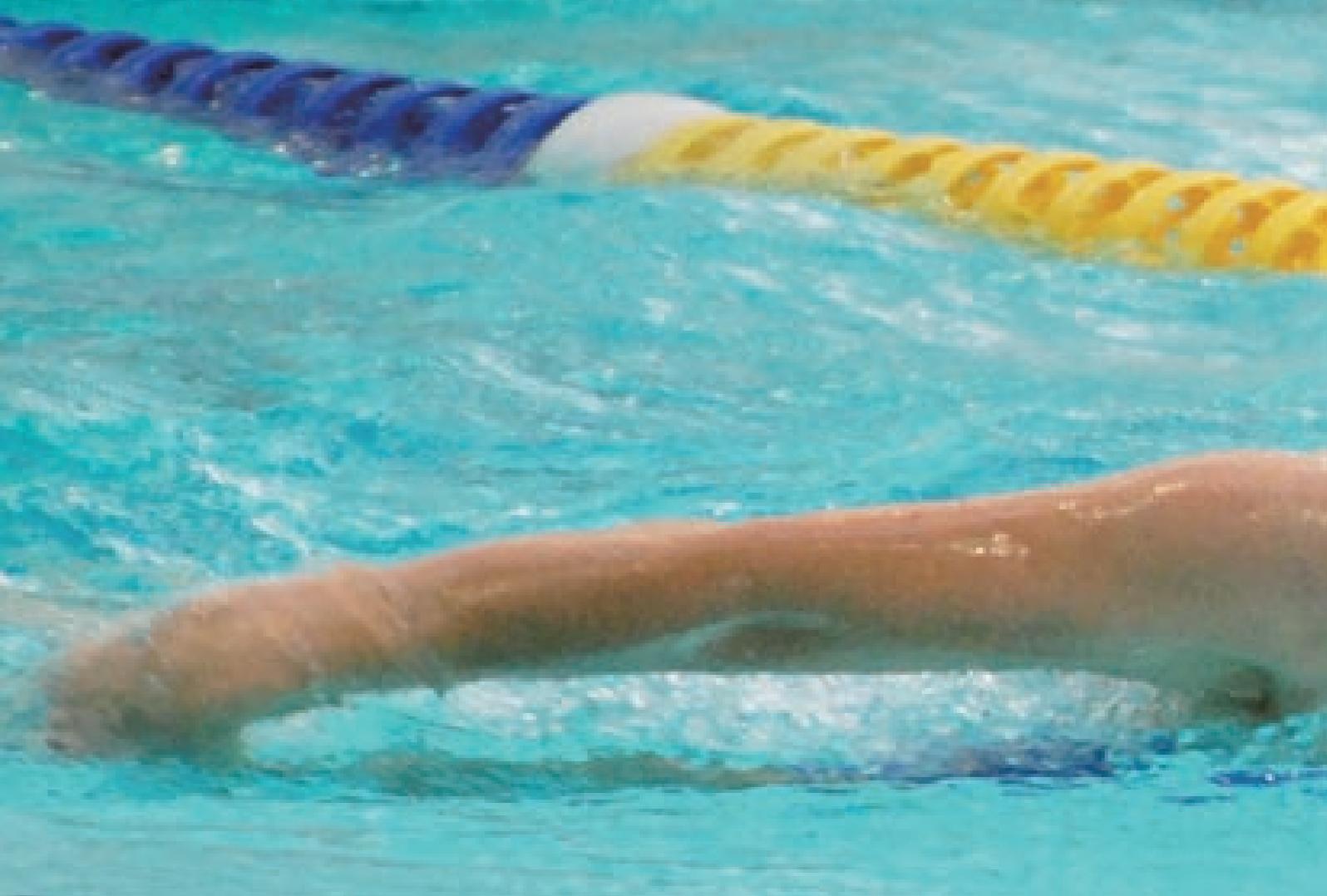
should be prepared on a going concern basis unless it is not appropriate to do so. The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the requirements of the Hong Kong Companies Ordinance. The Directors also have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors consider that in preparing the financial statements contained in this Summary Financial Report, the Company has adopted appropriate accounting policies which have been consistently applied with the support of reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.



# SWIFTER,

BOCHK fully supported the *Community Chest New Territories Walk – Route 8*. There were over 32,000 participants, including some 1,000 of our Group staff and their companions, all contributing to this record-breaking number for the Territories Walk.



# HIGHER, STRONGER

Welcome the Year of  
the Olympics With Joy



## OUR PEOPLE



Our Group's new uniform was unveiled at our staff variety show.



In the variety show in celebration of our 90th anniversary, our staff danced to their hearts' content while demonstrating their energetic spirit.

We recognise that people are the most valuable assets of a corporate. To echo our core value of "respect" people, we have stepped up our efforts to reform the Group's human resources mechanism, recruitment and staff training. To commemorate our 90 years of service in Hong Kong, we have specially organised a comprehensive range of activities for our employees to promote our corporate culture and enhance the team spirit, unveiling a new chapter for us.

### Reforming the Human Resources Mechanism

According to the Group's business development strategy on the job-based and performance-driven human resources management platform, the Group has been continually enhancing its human resources and compensation policies. It has allocated additional resources to offer attractive remuneration to employees with major positions and good performance so as to retain, attract and motivate talent.

Moreover, to ensure that the job-based mechanism is in line with the Group's business development, the Group has constantly reviewed its organisation structures and job establishments during the year. By rationalising job establishment and developing

professional job teams, the Group offers a platform for employees to fully utilise their competencies and thus enabling them to develop their careers while driving the Group's business growth through stronger motivation.

### Recruiting Top Talent

To support our business development, the Group is committed to recruiting high quality talent. Against the backdrop of an active labour market in 2007, we adopted vigorous measures to raise our recruitment efficiency. Our recruitment procedures were improved through more flexible hiring terms and wider recruitment channels. Management and business professionals were recruited locally as well as from the Mainland and overseas. Our Group staff have therefore been strengthened by integrating talent from different origins.

We continued to introduce the trainee programmes in which high-potential university graduates were recruited for the Group by way of systematic and scientific assessment instruments. Subsequently, the high-flyers will be trained to become the future backbone of the Group.

### Strengthening Staff Training

In 2007, we provided 1,760 courses that drew in 93,300 attendees. Our

training programmes were designed for three objectives: 1) to meet the Group's development and overall human resources plans that can fulfill the business objectives of the Group; 2) to facilitate self-enhancement, and career development by establishing a learning organisation; 3) to optimise the input and utilisation of training resources and thus to enhance the overall effectiveness.

Major training activities were organised in a series of workshops and seminars and related to risk management, legal & compliance, corporate governance, corporate cultures, sales and services skills, and leadership development. To develop leadership and cultivate a pool of talent, we have conducted the CUHK "EMBA programme" and arranged executive development programmes with academic bodies such as Oxford University, Harvard Business School, Beijing University and Hong Kong University of Science and Technology for our senior management and talent pool members.

To dovetail with the RPC model, we introduced various training courses on communications and change management and to assist our frontline staff to acquire professional qualifications. The "Wealth Management



We organised a range of diverse recreational activities and training courses to promote the all-round development of our staff.

Academy of BOCHK" was established in April for our relationship managers with seminars on treasury and capital market products.

To meet the needs of our future development and retain talents for the Group, a Management Trainee (MT) Programme featuring intensive and systematic training was specially designed for the premier university graduates, and an Officer Trainee (OT) Programme was launched for fresh university graduates.

In keeping with technological advancements and to provide more flexible, convenient and cost-efficient training, we established an e-learning platform as a supplemental training channel. Furthermore, we launched an integrated self-learning programme through distance learning that was coupled with tutorials and tests for our colleagues.

### Fostering Corporate Culture

In 2007 we continued to launch the "Teamwork Activities Rewards Scheme". The themes of this scheme not only included "teamwork" and "respect", but also the Olympic Motto – "swifter, higher, stronger" to welcome the Olympic year and foster the spirit of "solidarity, friendship and fair play". To

compete for the "Departmental Award", respective departments and units held different activities such as tele-games, quizzes, experience sharing sessions, prize presentation ceremonies, video-clips, and photo exhibitions. Through these initiatives, our staff strengthened their recognition of our corporate culture and mutual understanding of each other. Apart from these activities, to show the Group's emphasis on "teamwork", we presented the *Cross-Department Team Award* in appreciation of the outstanding inter-departmental projects.

### Promoting Staff Communications

In 2007, the Group continued to organise programmes promoting our corporate culture, namely "teamwork" and "respect". Through various recreational activities, we are glad to see better communications between staff and management, and a closer relationship among staff of different units. An award presentation ceremony was held to recognise staff contributions and achievements in 2006. A total of 10 BOC stars, 631 staff and 47 teams were granted outstanding performance awards.

To celebrate the 90th anniversary of the Group's service in Hong Kong, we

launched a spectacular variety show in the AsiaWorld-Expo as well as a series of celebration activities. By doing so, our heritage and new corporate culture were communicated to over 10,000 staff members. And their sense of belonging and cohesion were also noticeably enhanced.

In line with our promotion of a healthy lifestyle, we provided a number of recreational activities for our staff in 2007. Among these activities were the spring banquet, a bowling tournament, orienteering championships involving parents and children, outward bound activities, war games, table-tennis competition, exchange activities for different sport and culture teams, and leisure classes.

Our staff are always encouraged to take part in community services and charitable activities to build up a sense of corporate social responsibility and good citizenship. With environmental issues taking center stage in recent years, we have mobilised our staff to participate in environmental-friendly activities like the *Ecotourism in Long Valley* and *Green Power Hike*, both of which aim at raising environmental awareness and helping to save the earth.

## GOOD CORPORATE CITIZENSHIP

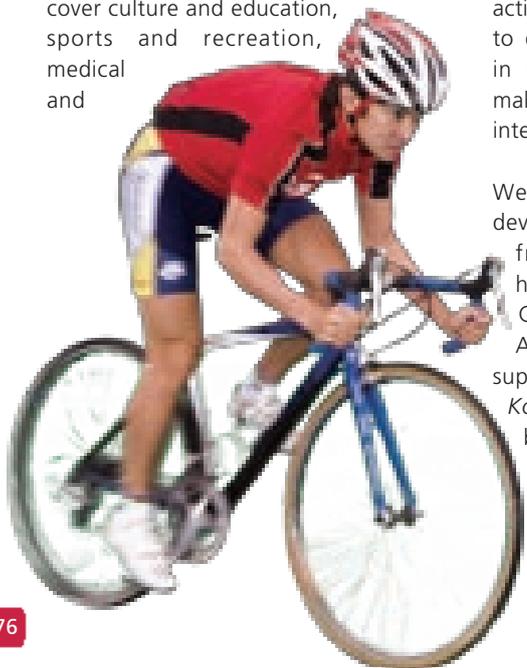


Photo courtesy of The Olympic Equestrian Company

In welcoming the Beijing Olympics, we have lent full support to the *Good Luck Beijing – HKSAR 10th Anniversary Cup* Eventing Competition.

2007 marked the 90th anniversary of the service of the Group in Hong Kong. As we adhere to our motto of “Taking Root in Hong Kong and Serving Hong Kong”, we clearly understand the close relationship between the long-term development of a corporate and the importance of undertaking good corporate citizenship. That’s why corporate social responsibility is one of our treasured core values. We are committed to building a better tomorrow for Hong Kong by actively supporting a diverse range of community and charitable activities through the BOCHK Charitable Foundation (“The Foundation”).

The Group’s community caring activities cover culture and education, sports and recreation, medical and



health care, environmental protection, social welfare and assistance to the needy. Our dedication to serving the community has won us the honor of being named a Caring Company by the Hong Kong Council of Social Service for five consecutive years. We also won the Prime Award for Corporate Social Responsibility 2007.

### Promoting Sports Development

The Beijing 2008 Olympic Games and the staging of the Olympic Equestrian Events in Hong Kong that all Chinese people and the whole world are looking forward to have created an ideal opportunity to foster sports development and promote “Sport for All” in our city. The Group has been actively supporting a variety of activities to encourage community participation in sports, develop elite sports, and make Hong Kong a major centre for international sporting events.

We are all aware that economic development of society is inseparable from the physical and mental health of its citizens. As such, the Group promotes the “Sport for All” message in the community by supporting the *Bank of China (Hong Kong) 50th Festival of Sport* organised by the Sports Federation & Olympic Committee of Hong Kong, China (“The Federation”). For over four months’ time, more than 40,000

people participated in sport activities organised by 74 National Sports Associations, making our vibrant city even more active.

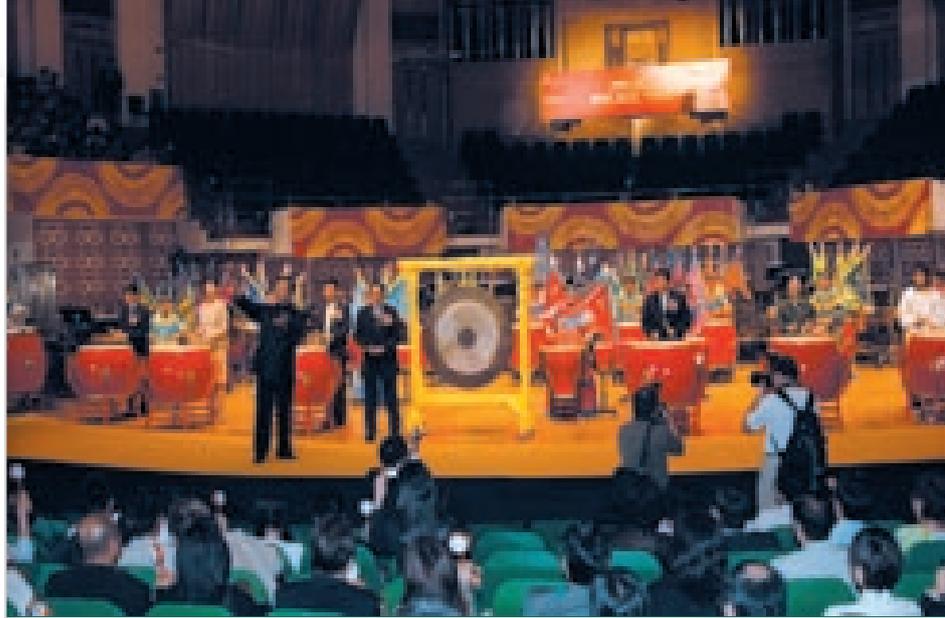
Badminton is a key focus of our sports initiatives. The Foundation has a long history of nurturing talented badminton players and increasing public interest by sponsoring the general *Hong Kong Badminton Development & Training Scheme* and related initiatives such as the *Regional Badminton Training Programme*, *Hong Kong Open Badminton Championships* and *Badminton Doubles League cum Family Fun Day* since 1999. More than 500,000 people have participated in the scheme over the years. The Group also supported the badminton competition of the *Corporate Games* presented by the Leisure and Cultural Services Department.

To assist promising athletes in honing their talents, the Foundation continued its sponsorship of the *Hong Kong Island & Kowloon Regional Inter-school Sports Competition* and, the competition’s top-honour award, the *BOCHK Bauhinia Bowls Award*. A total of 72,000 young athletes from over 270 schools participated in 8,100 matches in this competition.

The Group paid tribute to the outstanding local athletes and sports teams by becoming the title sponsor of the prestigious *Bank of China Hong*



*The Visiting Fellow of HKAPA by Yundi Li aims to nurture more new pianist talents for Hong Kong.*



BOCHK and the Hong Kong Chinese Orchestra joined hands to present *Majestic Drums IX*, a drum fanfare to welcome the year of the Olympics.

*Kong Sports Stars Awards 2007* and honored the highest vote winner with the *Bank of China (Hong Kong) Best of the Best Hong Kong Sports Star Award*.

The *90 Young Athletes Olympic Tour – Talented Young Hong Kong Athletes Beijing Olympics Exchange Tour* organised by the Federation and the Hong Kong Olympians and Meritorious Athletes' Commission and sponsored by BOCHK provided young athletes with invaluable learning opportunities related to the Beijing Olympics as they exchange experiences with the national team athletes. This enabled them to deepen their understanding of the sports development in our motherland.

As Bank of China is the official banking partner of the Beijing 2008 Olympics, BOCHK has lent full support to the Olympics by sponsoring the *Good Luck Beijing – HKSAR 10th Anniversary Cup Eventing Competition*.

What's more, it will be the first time in Hong Kong's history to hold the 2009 East Asian Games. BOCHK is among the first group of organisations to support this event by becoming a Diamond Partner of the Games.

### Enriching Cultural Life

Art is a language that crosses cultures and nationalities. The Group has sponsored a series of international arts

and cultural performances throughout the past year to enrich people's lives and promote the arts and cultural development in Hong Kong.

We supported *A Gala Evening with José Carreras* presented by the Hong Kong Philharmonic Orchestra that featured one of the world's renowned tenors. The *Majestic Drums IX*, organised by the Hong Kong Chinese Orchestra and sponsored by the Group, welcomed the Beijing 2008 Olympic Games with the public by staging concerts and workshops at the Hong Kong Cultural Centre, the Bank of China Tower, and a shopping mall.

Having become a Hong Kong resident, Yundi Li has been appointed by the Hong Kong Academy for Performing Arts as a Visiting Fellow. Yundi Li has been coaching young pianists in Hong Kong in a series of master classes that were sponsored by BOCHK to broaden the horizons of local youngsters. The Group also sponsored the Hong Kong Ballet's stunning production of *Momentum* that debuted the New York City Ballet's Principal Dancer Sofiane Sylve in Hong Kong.

We sponsored the *HKDA Awards 07*, the largest and most important professional design competition in Hong Kong and Asia Pacific, organised by the Hong Kong Designers Association. The Awards

recognised the outstanding achievements and creativity of designers in the fields of graphic and product design as well as new and spatial media.

### Nurturing Tomorrow's Leaders

Nurturing the young generation is crucial to the long-term development of society. In 2007, the Foundation presented scholarships and bursaries amounting to HK\$1 million to over 100 students from all universities and tertiary education institutions in Hong Kong, bringing the total number of beneficiary students to nearly 1,100 and the total contribution value to HK\$10.4 million since 1990.

To develop closer economic integration between Hong Kong and the Mainland of China, the Group organised the *Internship Programme for Financial Professionals in the Mainland of China* for the third consecutive year. With this support, university students are able to gain a better understanding of the latest political, economic, financial, cultural and social developments of our motherland and become more familiar with the banking operations in the Mainland by undertaking an internship at the Shanghai Branch of Bank of China.

We also continued to sponsor the *Junior Police Call Leadership and*



Bank of China (Hong Kong) 50th Festival of Sport – Sport for all in a vibrant city



*Management Training Project* organised by the Hong Kong Police in 2007. With an aim of strengthening the management and leadership skills of the younger generation, the project provided 161 classes for more than 6,400 participants.

### Enhancing Environmental Awareness

The Group spared no effort in promoting environmental awareness among teachers, parents and students at kindergarten, primary and secondary schools through the *Green School Award*. Since 2000, the number of Green Schools increased to 198 with over 1,013 participating schools.

As well, the Group sponsored the fund-raising gala evening of the Ocean Park Conservation Foundation to help advocate the conservation of wildlife and habitats in Asia. We also helped reduce computer waste during the year by donating refurbished computers to the deprived through the Hong Kong Caritas Computer Recycling Project.

### Assisting the Needy

The Foundation attaches great importance to charitable causes. To that end, we sponsored the *National Renowned Chefs for the Chest* organised by the Community Chest to help raise funds for the needy in Hong Kong. One hundred acclaimed chefs from the Mainland of China and Hong Kong were invited to share their unique presentation of the “Eight Major Regional Cuisines of China” with the public. BOCHK contributed in a significant way by sponsoring the expenses of the Charity Dinner, inviting beneficiaries from the Chest’s member social welfare agencies to enjoy the sponsored feast, and matching donations dollar-for-dollar with those given by designated restaurants.

The Foundation joined hands with the Hong Kong Red Cross Blood Transfusion Service again to organise the *Blood Donation Week*. Some 905 people donated blood at the Bank of China Tower, Bank

of China Centre, a shopping mall and a medicoach. To encourage students at secondary schools and tertiary institutions to donate blood regularly, we supported the *Blood Donation Campaign on Campus*.

In 2007, the Group offered donations and actively participated in a wide variety of charitable activities such as the *Skills Upgrading Scheme Charity Walk* by the Education and Manpower Bureau, the *Charity Golf Tournament* and *District Elderly Campaign* by Po Leung Kuk, the *Be A Star Charity Christmas Lunch and Care Scheme* by the Community Chest, the *MTR Hong Kong Race Walking 2007* and *Walk for the Community* by the Li Ka Shing Faculty of Medicine. For ten consecutive years, we have been the Diamond sponsor of Po Leung Kuk.

Last but not the least, during the year, we sent out 3.03 million inserts representing a number of charitable organisations with bank statements to spread the spirit of charity among our customers.



We have specially sponsored *Zingaro*, a world-renowned creative family entertainment spectacle. This French equestrian show has won over 39,500 spectators’ applause with 32 exhilarating shows in Hong Kong.

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<b>80</b>	<b>Consolidated Income Statement</b>
<b>81</b>	<b>Consolidated Balance Sheet</b>
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<b>108</b>	<b>Connected transactions</b>
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# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December	Note	2007 HK\$'m	2006 HK\$'m
Interest income		46,056	40,271
Interest expense		(26,661)	(24,436)
<b>Net interest income</b>		<b>19,395</b>	15,835
Fees and commission income		8,177	4,985
Fees and commission expenses		(1,903)	(1,268)
<b>Net fees and commission income</b>		<b>6,274</b>	3,717
Net trading income		1,013	1,567
Net gain on financial instruments designated at fair value through profit or loss		868	321
Net loss on investments in securities		(53)	(5)
Net insurance premium income		8,426	6,195
Other operating income		771	334
<b>Total operating income</b>		<b>36,694</b>	27,964
Net insurance benefits and claims		(9,440)	(6,655)
<b>Net operating income before impairment allowances</b>		<b>27,254</b>	21,309
Net (charge)/reversal of impairment allowances		(1,448)	1,794
<b>Net operating income</b>		<b>25,806</b>	23,103
Operating expenses		(7,773)	(6,558)
<b>Operating profit</b>		<b>18,033</b>	16,545
Net gain from disposal of/fair value adjustments on investment properties		1,064	605
Net gain/(loss) from disposal/revaluation of properties, plant and equipment		26	(16)
Share of profits less losses of associates		3	5
<b>Profit before taxation</b>		<b>19,126</b>	17,139
Taxation		(3,309)	(2,855)
<b>Profit for the year</b>		<b>15,817</b>	14,284
<b>Attributable to:</b>			
Equity holders of the Company		15,446	14,007
Minority interests		371	277
		<b>15,817</b>	14,284
<b>Dividends</b>		<b>9,674</b>	8,966
		<b>HK\$</b>	<b>HK\$</b>
<b>Earnings per share for profit attributable to the equity holders of the Company</b>	3	<b>1.4609</b>	1.3248

The notes on pages 82 to 107 are an integral part of these Financial Statements.

# CONSOLIDATED BALANCE SHEET

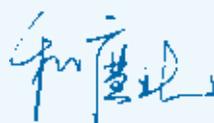
As at 31 December	Notes	2007 HK\$'m	2006 HK\$'m
<b>ASSETS</b>			
Cash and balances with banks and other financial institutions		<b>159,065</b>	105,236
Placements with banks and other financial institutions maturing between one and twelve months		<b>53,154</b>	56,373
Financial assets at fair value through profit or loss		<b>34,440</b>	28,294
Derivative financial instruments		<b>14,477</b>	7,393
Hong Kong SAR Government certificates of indebtedness		<b>32,770</b>	34,750
Advances and other accounts		<b>420,234</b>	352,858
Investment in securities		<b>301,183</b>	302,091
Interests in associates		<b>83</b>	60
Investment properties	5	<b>8,058</b>	7,481
Properties, plant and equipment	6	<b>23,293</b>	19,740
Deferred tax assets	7	<b>23</b>	69
Other assets		<b>20,857</b>	14,608
<b>Total assets</b>		<b>1,067,637</b>	928,953
<b>LIABILITIES</b>			
Hong Kong SAR currency notes in circulation		<b>32,770</b>	34,750
Deposits and balances of banks and other financial institutions		<b>60,599</b>	49,034
Financial liabilities at fair value through profit or loss		<b>11,405</b>	15,127
Derivative financial instruments		<b>11,092</b>	4,052
Deposits from customers		<b>793,606</b>	694,691
Debt securities in issue at amortised cost		<b>2,089</b>	–
Other accounts and provisions		<b>33,344</b>	25,901
Current tax liabilities		<b>1,210</b>	1,128
Deferred tax liabilities	7	<b>3,967</b>	3,391
Insurance contract liabilities		<b>22,497</b>	14,239
<b>Total liabilities</b>		<b>972,579</b>	842,313
<b>EQUITY</b>			
Share capital	8	<b>52,864</b>	52,864
Reserves	9	<b>39,978</b>	31,791
Capital and reserves attributable to the equity holders of the Company		<b>92,842</b>	84,655
Minority interests		<b>2,216</b>	1,985
<b>Total equity</b>		<b>95,058</b>	86,640
<b>Total liabilities and equity</b>		<b>1,067,637</b>	928,953

The notes on pages 82 to 107 are an integral part of these Financial Statements.

Approved by the Board of Directors on 25 March 2008 and signed on behalf of the Board by:



**XIAO Gang**  
Director



**HE Guangbei**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

## 1. Basis of preparation

These Summary Financial Statements have been prepared from the Annual Financial Statements of the BOC Hong Kong (Holdings) Limited (“Annual Financial Statements”) for the year ended 31 December 2007.

The Annual Financial Statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs is a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, HK GAAP and the requirements of the Hong Kong Companies Ordinance.

The Annual Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss, investment properties which are carried at fair value and premises which are carried at fair value or revalued amount less accumulated depreciation and accumulated impairment losses.

## 2. Financial risk management

The Group is exposed to financial risks as a result of engaging in a variety of business activities. The principal financial risks are credit risk, market risk (including currency risk, interest rate risk and other price risk) and liquidity risk. This note summarises the Group’s exposures to these risks, as well as its objectives, policies and processes for managing and the methods used to measure these risks.

### 2.1 Credit Risk

Credit risk is the risk that a customer or counterparty will be unable to or unwilling to meet a commitment it has entered into with the Group and will cause a financial loss. It arises mainly from lending, trade finance, treasury and inter-bank transactions.

## 2. Financial risk management (continued)

### 2.1 Credit Risk (continued)

#### Credit exposures

Maximum exposures to credit risk before collateral held or other credit enhancements are summarised as follows:

	2007 HK\$m	2006 HK\$m
Credit risk exposures relating to on-balance sheet assets are as follows:		
Cash and balances with banks and other financial institutions	159,065	105,236
Placements with banks and other financial institutions maturing between 1 and 12 months	53,154	56,373
Financial assets at fair value through profit or loss		
– debt securities	30,856	26,402
Derivative financial instruments	14,477	7,393
Hong Kong SAR Government certificates of indebtedness	32,770	34,750
Advances and other accounts	420,234	352,858
Investment in securities		
– debt securities – available-for-sale	100,073	100,339
– debt securities – held-to-maturity	165,428	165,588
– debt securities – loans and receivables	31,102	36,114
Other assets	20,857	14,608
Credit risk exposures relating to off-balance sheet items are as follows:		
Letters of guarantee issued	9,407	8,778
Loan commitment and other credit related liabilities	221,896	179,003
	<b>1,259,319</b>	<b>1,087,442</b>

### 2.2 Market Risk

Market risk is the risk of loss that results from movements in market rates and prices. The Group's market risk arises from trading positions taken from customer-related business and proprietary trading in the above-mentioned financial instruments, which are subject to daily marked-to-market valuation. The risk includes potential losses arising from changes in foreign exchange and interest rates as well as equities and commodities prices.

2. Financial risk management (continued)

2.2 Market Risk (continued)

Currency risk

The tables below summarise the Group's exposure to foreign currency exchange rate risk as at 31 December. Included in the tables are the Group's assets and liabilities at carrying amounts in HK\$ equivalent, categorised by the original currency.

	2007							
	Renminbi HK\$'m	US Dollars HK\$'m	HK Dollars HK\$'m	EURO HK\$'m	Japanese Yen HK\$'m	Pound Sterling HK\$'m	Others HK\$'m	Total HK\$'m
<b>Assets</b>								
Cash and balances with banks and other financial institutions	30,849	49,833	71,731	1,147	160	1,815	3,530	159,065
Placements with banks and other financial institutions maturing between one and twelve months	375	23,854	28,750	-	-	-	175	53,154
Financial assets at fair value through profit or loss	917	8,997	24,286	-	-	-	240	34,440
Derivative financial instruments	-	773	13,703	-	-	-	1	14,477
Hong Kong SAR Government certificates of indebtedness	-	-	32,770	-	-	-	-	32,770
Advances and other accounts	13,335	71,309	323,495	4,202	1,667	1,006	5,220	420,234
Investment in securities								
– Available-for-sale securities	90	62,612	26,697	7,005	28	1,321	6,900	104,653
– Held-to-maturity securities	864	84,686	59,565	2,486	-	1,554	16,273	165,428
– Loans and receivables	-	3,594	26,511	428	-	-	569	31,102
Interests in associates	-	-	83	-	-	-	-	83
Investment properties	-	-	8,058	-	-	-	-	8,058
Properties, plant and equipment	72	1	23,220	-	-	-	-	23,293
Other assets (including deferred tax assets)	69	947	19,361	161	61	145	136	20,880
<b>Total assets</b>	<b>46,571</b>	<b>306,606</b>	<b>658,230</b>	<b>15,429</b>	<b>1,916</b>	<b>5,841</b>	<b>33,044</b>	<b>1,067,637</b>
<b>Liabilities</b>								
Hong Kong SAR currency notes in circulation	-	-	32,770	-	-	-	-	32,770
Deposits and balances of banks and other financial institutions	27,173	19,422	9,090	147	2,141	92	2,534	60,599
Financial liabilities at fair value through profit or loss	-	2,717	8,688	-	-	-	-	11,405
Derivative financial instruments	-	1,257	9,824	-	-	-	11	11,092
Deposits from customers	17,360	166,416	548,223	8,432	2,492	12,284	38,399	793,606
Debt securities in issue at amortised cost	-	667	1,422	-	-	-	-	2,089
Other accounts and provisions (including current and deferred tax liabilities)	574	9,751	26,706	311	31	387	761	38,521
Insurance contract liabilities	-	4,284	18,213	-	-	-	-	22,497
<b>Total liabilities</b>	<b>45,107</b>	<b>204,514</b>	<b>654,936</b>	<b>8,890</b>	<b>4,664</b>	<b>12,763</b>	<b>41,705</b>	<b>972,579</b>
Net on-balance sheet position	1,464	102,092	3,294	6,539	(2,748)	(6,922)	(8,661)	95,058
Off-balance sheet net notional position*	394	(97,215)	89,481	(6,478)	2,436	7,050	8,975	4,643
Contingent liabilities and commitments	4,873	55,183	163,697	4,693	1,017	259	1,581	231,303

\* Off-balance sheet net notional position represents the net notional amounts of foreign currency derivative financial instruments, which are principally used to reduce the Group's exposure to currency movements.

## 2. Financial risk management (continued)

## 2.2 Market Risk (continued)

## Currency risk (continued)

	2006							Total HK\$'m
	Renminbi HK\$'m	US Dollars HK\$'m	HK Dollars HK\$'m	EURO HK\$'m	Japanese Yen HK\$'m	Pound Sterling HK\$'m	Others HK\$'m	
<b>Assets</b>								
Cash and balances with banks and other financial institutions	24,898	29,341	45,941	1,073	680	824	2,479	105,236
Placements with banks and other financial institutions maturing between one and twelve months	283	9,166	46,516	-	-	-	408	56,373
Financial assets at fair value through profit or loss	-	8,598	17,644	1,041	-	-	1,011	28,294
Derivative financial instruments	-	203	7,190	-	-	-	-	7,393
Hong Kong SAR Government certificates of indebtedness	-	-	34,750	-	-	-	-	34,750
Advances and other accounts	4,559	54,737	285,796	2,505	1,678	1,001	2,582	352,858
Investment in securities								
– Available-for-sale securities	-	58,627	29,012	4,200	-	2,118	6,432	100,389
– Held-to-maturity securities	-	98,960	45,780	3,815	-	1,790	15,243	165,588
– Loans and receivables	-	2,556	32,909	-	-	302	347	36,114
Interests in associates	-	-	60	-	-	-	-	60
Investment properties	-	-	7,481	-	-	-	-	7,481
Properties, plant and equipment	69	1	19,670	-	-	-	-	19,740
Other assets (including deferred tax assets)	59	294	13,818	99	122	85	200	14,677
<b>Total assets</b>	<b>29,868</b>	<b>262,483</b>	<b>586,567</b>	<b>12,733</b>	<b>2,480</b>	<b>6,120</b>	<b>28,702</b>	<b>928,953</b>
<b>Liabilities</b>								
Hong Kong SAR currency notes in circulation	-	-	34,750	-	-	-	-	34,750
Deposits and balances of banks and other financial institutions	17,198	16,587	12,590	1,112	415	97	1,035	49,034
Financial liabilities at fair value through profit or loss	-	4,329	10,798	-	-	-	-	15,127
Derivative financial instruments	-	450	3,602	-	-	-	-	4,052
Deposits from customers	10,994	143,913	485,066	5,893	3,609	11,968	33,248	694,691
Other accounts and provisions (including current and deferred tax liabilities)	451	8,369	20,497	274	131	92	606	30,420
Insurance contract liabilities	-	2,130	12,109	-	-	-	-	14,239
<b>Total liabilities</b>	<b>28,643</b>	<b>175,778</b>	<b>579,412</b>	<b>7,279</b>	<b>4,155</b>	<b>12,157</b>	<b>34,889</b>	<b>842,313</b>
Net on-balance sheet position	1,225	86,705	7,155	5,454	(1,675)	(6,037)	(6,187)	86,640
Off-balance sheet net notional position	54	(83,503)	77,982	(5,501)	1,817	6,012	6,433	3,294
Contingent liabilities and commitments	2,666	42,196	137,875	2,643	527	117	1,757	187,781

2. Financial risk management (continued)

2.2 Market Risk (continued)

Interest rate risk

The tables below summarise the Group's exposure to interest rate risk as at 31 December. Included in the tables are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. Derivative financial instruments are principally used to reduce the Group's exposure to interest rate movements. The carrying amounts are presented under the column captioned 'Non-interest bearing'.

	2007						Total HK\$'m
	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Non-interest bearing HK\$'m	
<b>Assets</b>							
Cash and balances with banks and other financial institutions	152,746	-	-	-	-	6,319	159,065
Placements with banks and other financial institutions maturing between one and twelve months	-	42,230	10,924	-	-	-	53,154
Financial assets at fair value through profit or loss	3,562	1,839	2,164	5,894	17,397	3,584	34,440
Derivative financial instruments	-	-	-	-	-	14,477	14,477
Hong Kong SAR Government certificates of indebtedness	-	-	-	-	-	32,770	32,770
Advances and other accounts	328,750	58,396	19,372	9,487	643	3,586	420,234
Investment in securities							
– Available-for-sale securities	11,668	21,320	6,257	19,959	40,869	4,580	104,653
– Held-to-maturity securities	25,562	43,920	18,534	43,022	34,390	-	165,428
– Loans and receivables	7,459	11,444	12,199	-	-	-	31,102
Interests in associates	-	-	-	-	-	83	83
Investment properties	-	-	-	-	-	8,058	8,058
Properties, plant and equipment	-	-	-	-	-	23,293	23,293
Other assets (including deferred tax assets)	-	-	-	-	-	20,880	20,880
<b>Total assets</b>	<b>529,747</b>	<b>179,149</b>	<b>69,450</b>	<b>78,362</b>	<b>93,299</b>	<b>117,630</b>	<b>1,067,637</b>
<b>Liabilities</b>							
Hong Kong SAR currency notes in circulation	-	-	-	-	-	32,770	32,770
Deposits and balances of banks and other financial institutions	45,728	3,428	6,897	-	-	4,546	60,599
Financial liabilities at fair value through profit or loss	6,600	2,355	1,531	919	-	-	11,405
Derivative financial instruments	-	-	-	-	-	11,092	11,092
Deposits from customers	623,009	98,440	35,157	547	-	36,453	793,606
Debt securities in issue at amortised cost	-	-	1,977	112	-	-	2,089
Other accounts and provisions (including current and deferred tax liabilities)	7,624	107	-	128	-	30,662	38,521
Insurance contract liabilities	-	-	-	-	-	22,497	22,497
<b>Total liabilities</b>	<b>682,961</b>	<b>104,330</b>	<b>45,562</b>	<b>1,706</b>	<b>-</b>	<b>138,020</b>	<b>972,579</b>
Interest sensitivity gap	(153,214)	74,819	23,888	76,656	93,299	(20,390)	95,058

2. **Financial risk management (continued)**  
**2.2 Market Risk (continued)**  
**Interest rate risk (continued)**

	2006						
	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Non-interest bearing HK\$'m	Total HK\$'m
<b>Assets</b>							
Cash and balances with banks and other financial institutions	99,157	-	-	-	-	6,079	105,236
Placements with banks and other financial institutions maturing between one and twelve months	-	47,717	8,656	-	-	-	56,373
Financial assets at fair value through profit or loss	4,623	4,729	1,829	3,243	11,977	1,893	28,294
Derivative financial instruments	-	-	-	-	-	7,393	7,393
Hong Kong SAR Government certificates of indebtedness	-	-	-	-	-	34,750	34,750
Advances and other accounts	303,273	32,873	11,096	2,487	420	2,709	352,858
Investment in securities							
– Available-for-sale securities	5,578	14,102	5,402	27,529	47,728	50	100,389
– Held-to-maturity securities	25,050	38,721	32,265	41,105	28,447	-	165,588
– Loans and receivables	2,429	12,753	20,932	-	-	-	36,114
Interests in associates	-	-	-	-	-	60	60
Investment properties	-	-	-	-	-	7,481	7,481
Properties, plant and equipment	-	-	-	-	-	19,740	19,740
Other assets (including deferred tax assets)	-	-	-	-	-	14,677	14,677
<b>Total assets</b>	<b>440,110</b>	<b>150,895</b>	<b>80,180</b>	<b>74,364</b>	<b>88,572</b>	<b>94,832</b>	<b>928,953</b>
<b>Liabilities</b>							
Hong Kong SAR currency notes in circulation	-	-	-	-	-	34,750	34,750
Deposits and balances of banks and other financial institutions	44,271	955	2,692	-	-	1,116	49,034
Financial liabilities at fair value through profit or loss	6,025	3,603	3,460	2,039	-	-	15,127
Derivative financial instruments	-	-	-	-	-	4,052	4,052
Deposits from customers	565,717	77,894	21,891	996	18	28,175	694,691
Other accounts and provisions (including current and deferred tax liabilities)	6,298	99	-	-	-	24,023	30,420
Insurance contract liabilities	-	-	-	-	-	14,239	14,239
<b>Total liabilities</b>	<b>622,311</b>	<b>82,551</b>	<b>28,043</b>	<b>3,035</b>	<b>18</b>	<b>106,355</b>	<b>842,313</b>
Interest sensitivity gap	(182,201)	68,344	52,137	71,329	88,554	(11,523)	86,640

2. Financial risk management (continued)

2.3 Liquidity Risk

Maturity analysis

Tables below analyse assets and liabilities of the Group as at 31 December into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	2007							Total HK\$'m
	On demand HK\$'m	Up to 1 month HK\$'m	1-3 months HK\$'m	3-12 months HK\$'m	1-5 years HK\$'m	Over 5 years HK\$'m	Indefinite HK\$'m	
<b>Assets</b>								
Cash and balances with banks and other financial institutions	40,100	118,965	-	-	-	-	-	159,065
Placements with banks and other financial institutions maturing between one and twelve months	-	-	42,230	10,924	-	-	-	53,154
Financial assets at fair value through profit or loss								
- debt securities held for trading								
- certificates of deposit held	-	-	-	80	-	-	-	80
- others	-	1,697	779	2,342	1,307	32	-	6,157
- debt securities designated at fair value through profit or loss								
- certificates of deposit held	-	-	-	415	393	2,316	-	3,124
- others	-	36	343	272	5,376	15,468	-	21,495
- equity securities	-	-	-	-	-	-	3,584	3,584
Derivative financial instruments	12,686	228	129	929	459	46	-	14,477
Hong Kong SAR Government certificates of indebtedness	32,770	-	-	-	-	-	-	32,770
Advances and other accounts								
- advances to customers	21,196	16,345	25,968	43,608	173,120	130,067	1,373	411,677
- trade bills	12	2,815	2,227	280	-	-	-	5,334
- advances to banks and other financial institutions	27	-	600	440	2,156	-	-	3,223
Investment in securities								
- debt securities held for available-for-sale								
- certificates of deposit held	-	701	462	2,614	3,689	-	-	7,466
- others	-	5,886	3,776	7,515	30,790	44,084	556	92,607
- debt securities held for held-to-maturity								
- certificates of deposit held	-	1,097	1,490	2,426	6,351	624	-	11,988
- others	-	4,278	12,309	17,166	81,918	34,031	3,738	153,440
- debt securities held for loans and receivables	-	7,459	11,444	12,199	-	-	-	31,102
- equity securities	-	-	-	-	-	-	4,580	4,580
Interests in associates	-	-	-	-	-	-	83	83
Investment properties	-	-	-	-	-	-	8,058	8,058
Properties, plant and equipment	-	-	-	-	-	-	23,293	23,293
Other assets (including deferred tax assets)	3,360	16,219	24	174	202	-	901	20,880
<b>Total assets</b>	<b>110,151</b>	<b>175,726</b>	<b>101,781</b>	<b>101,384</b>	<b>305,761</b>	<b>226,668</b>	<b>46,166</b>	<b>1,067,637</b>
<b>Liabilities</b>								
Hong Kong SAR currency notes in circulation	32,770	-	-	-	-	-	-	32,770
Deposits and balances of banks and other financial institutions	28,200	22,074	3,428	6,897	-	-	-	60,599
Financial liabilities at fair value through profit or loss								
- certificates of deposit issued	-	-	-	1,086	868	-	-	1,954
- others	-	2,554	1,925	3,680	983	309	-	9,451
Derivative financial instruments	8,320	418	355	954	831	214	-	11,092
Deposits from customers	329,544	329,918	98,440	35,157	547	-	-	793,606
Debt securities in issue at amortised cost	-	-	-	1,977	112	-	-	2,089
Other accounts and provisions (including current and deferred tax liabilities)	15,446	15,543	1,071	1,660	4,100	-	701	38,521
Insurance contract liabilities	2,054	-	-	535	13,786	6,122	-	22,497
<b>Total liabilities</b>	<b>416,334</b>	<b>370,507</b>	<b>105,219</b>	<b>51,946</b>	<b>21,227</b>	<b>6,645</b>	<b>701</b>	<b>972,579</b>
Net liquidity gap	(306,183)	(194,781)	(3,438)	49,438	284,534	220,023	45,465	95,058

**2. Financial risk management (continued)**  
**2.3 Liquidity Risk (continued)**  
**Maturity analysis (continued)**

	2006							Total HK\$m
	On demand HK\$m	Up to 1 month HK\$m	1-3 months HK\$m	3-12 months HK\$m	1-5 years HK\$m	Over 5 years HK\$m	Indefinite HK\$m	
<b>Assets</b>								
Cash and balances with banks and other financial institutions	30,973	74,263	-	-	-	-	-	105,236
Placements with banks and other financial institutions maturing between one and twelve months	-	-	47,717	8,656	-	-	-	56,373
Financial assets at fair value through profit or loss								
- debt securities held for trading								
- certificates of deposit held	-	10	104	227	72	-	-	413
- others	-	1,120	2,322	3,304	3,024	171	-	9,941
- debt securities designated at fair value through profit or loss								
- certificates of deposit held	-	-	-	52	803	1,454	-	2,309
- others	-	211	23	413	2,438	10,654	-	13,739
- equity securities	-	-	-	-	-	-	1,892	1,892
Derivative financial instruments	6,218	537	217	109	274	38	-	7,393
Hong Kong SAR Government certificates of indebtedness	34,750	-	-	-	-	-	-	34,750
Advances and other accounts								
- advances to customers	28,497	8,085	15,471	39,287	136,122	116,931	1,594	345,987
- trade bills	76	1,670	1,030	350	-	-	2	3,128
- advances to banks and other financial institutions	-	-	156	940	2,647	-	-	3,743
Investment in securities								
- debt securities held for available-for-sale								
- certificates of deposit held	-	157	-	2,512	5,479	-	-	8,148
- others	-	1,735	5,643	4,101	30,893	49,819	-	92,191
- debt securities held for held-to-maturity								
- certificates of deposit held	-	1,600	1,205	3,176	3,386	-	-	9,367
- others	-	3,759	7,700	35,308	79,067	30,387	-	156,221
- debt securities held for loans and receivables	-	2,429	12,753	20,932	-	-	-	36,114
- equity securities	-	-	-	-	-	-	50	50
Interests in associates	-	-	-	-	-	-	60	60
Investment properties	-	-	-	-	-	-	7,481	7,481
Properties, plant and equipment	-	-	-	-	-	-	19,740	19,740
Other assets (including deferred tax assets)	4,185	9,773	2	247	131	163	176	14,677
<b>Total assets</b>	<b>104,699</b>	<b>105,349</b>	<b>94,343</b>	<b>119,614</b>	<b>264,336</b>	<b>209,617</b>	<b>30,995</b>	<b>928,953</b>
<b>Liabilities</b>								
Hong Kong SAR currency notes in circulation	34,750	-	-	-	-	-	-	34,750
Deposits and balances of banks and other financial institutions	20,982	24,405	955	2,692	-	-	-	49,034
Financial liabilities at fair value through profit or loss								
- certificates of deposit issued	-	-	-	514	1,984	-	-	2,498
- others	-	1,922	1,810	5,443	3,152	302	-	12,629
Derivative financial instruments	2,963	231	86	90	590	92	-	4,052
Deposits from customers	289,650	304,216	77,585	22,272	950	18	-	694,691
Other accounts and provisions (including current and deferred tax liabilities)	13,919	9,615	1,226	1,253	3,963	-	444	30,420
Insurance contract liabilities	-	51	3	4	8,081	5,429	671	14,239
<b>Total liabilities</b>	<b>362,264</b>	<b>340,440</b>	<b>81,665</b>	<b>32,268</b>	<b>18,720</b>	<b>5,841</b>	<b>1,115</b>	<b>842,313</b>
Net liquidity gap	(257,565)	(235,091)	12,678	87,346	245,616	203,776	29,880	86,640

## 2. Financial risk management (continued)

### 2.3 Liquidity Risk (continued)

#### Maturity analysis (continued)

The above maturity classifications have been prepared in accordance with relevant provisions under the Banking (Disclosure) Rules. The Group has reported assets such as advances and debt securities which have been overdue for not more than one month as "Repayable on demand". In the case of an asset that is repayable by different payments or instalments, only that portion of the asset that is actually overdue is reported as overdue. Any part of the asset that is not due is reported according to the residual maturity unless the repayment of the asset is in doubt in which case the amount is reported as "Indefinite". The above assets are stated after deduction of provisions, if any.

The analysis of debt securities by remaining period to maturity is disclosed in order to comply with relevant provisions under the Banking (Disclosure) Rules. The disclosure does not imply that the securities will be held to maturity.

The above analysis in respect of insurance contract liabilities represents the estimated timing of net cash outflows resulting from recognised insurance contract liabilities on the balance sheet as at 31 December.

### 2.4 Insurance Risk

The Group is in the business of insuring against the risk of mortality, morbidity, disability, critical illness, accidents and related risks. The Group manages these risks through the application of its underwriting policies and reinsurance arrangement.

The underwriting strategy is intended to set premium pricing at an appropriate level that corresponds with the underlying exposure of the risks underwritten. Screening processes, such as the review of health condition and family medical history, are also included in the Group's underwriting procedures.

Within the insurance process, concentrations of risk may arise where a particular event or series of events could impact heavily upon the Group's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

For the in-force insurance contracts, most of the underlying insurance liabilities are related to endowment and unit-linked insurance products.

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality. In order to assess the uncertainty due to the mortality assumption and lapse assumption, the Group conducts mortality study and lapse study in order to determine the appropriate assumptions. In these studies, consistent results are reflected in both assumptions with appropriate margins.

## 2. Financial risk management (continued)

### 2.5 Capital management

The major objective of the Group's capital management is to maximise total shareholders' return while maintaining a capital adequacy position in relation to the Group's overall risk profile. The Group periodically reviews its capital structure and adjusts the capital mix where appropriate to achieve the required rate of return on capital.

#### (a) Capital adequacy ratio

	2007	2006
Capital adequacy ratio	<b>13.08%</b>	13.99%
Core capital ratio	<b>12.23%</b>	13.39%

The capital ratios as at 31 December 2007 are 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 Banking (Capital) Rules effective from 1 January 2007. The comparatives as at 31 December 2006 are computed in accordance with the Third Schedule of the Banking Ordinance. They are not restated on the ground that different approaches are used to calculate the Group's capital requirements for the years ended 31 December 2007 and 2006.

2. Financial risk management (continued)

2.5 Capital management (continued)

(b) Components of capital base after deductions

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

	2007 HK\$'m	2006 HK\$'m
Core capital:		
Paid up ordinary share capital	43,043	43,043
Reserves	22,611	20,281
Profit and loss account	207	3,970
Minority interests	1,284	1,164
	<b>67,145</b>	68,458
Deductions from core capital	<b>(483)</b>	–
Core capital	<b>66,662</b>	68,458
Supplementary capital:		
Reserves on revaluation of holdings of available-for-sale securities	18	(115)
Reserves on revaluation of holdings of securities designated at fair value through profit or loss	9	(3)
Collective loan impairment allowances	1,004	557
Regulatory reserve	4,130	3,621
	<b>5,161</b>	4,060
Deductions from supplementary capital	<b>(483)</b>	–
Supplementary capital	<b>4,678</b>	4,060
Deductions from total capital base	–	(971)
Total capital base after deductions	<b>71,340</b>	71,547

The comparatives are not restated on the ground that different approaches are used to calculate the Group's regulatory capital for the years ended 31 December 2007 and 2006.

## 2. Financial risk management (continued)

### 2.6 Fair values of financial assets and liabilities

Fair value estimates are made at a specific point in time based on relevant market information and information about various financial instruments. The following methods and assumptions have been used to estimate the fair value of each class of financial instrument as far as practicable.

#### Balances with banks and other financial institutions and Trade bills

The maturities of these financial assets and liabilities are within one year and the carrying value approximates fair value.

#### Advances to customers, banks and other financial institutions

Substantially all the advances to customers, banks and other financial institutions are on floating rate terms, bear interest at prevailing market interest rates and their carrying value approximates fair value.

#### Held-to-maturity securities

Fair value for held-to-maturity securities is based on market prices or broker/dealer price quotations. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. Their carrying value approximates fair value.

#### Loans and receivables, Certificates of deposit issued and Debt securities in issue

A discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity and their carrying value approximates fair value.

#### Deposits from customers

Substantially all the deposits from customers mature within one year from balance sheet date and their carrying value approximates fair value.

## 3. Earnings per share for profit attributable to the equity holders of the Company

The calculation of basic earnings per share is based on the consolidated profit attributable to the equity holders of the Company for the year ended 31 December 2007 of approximately HK\$15,446 million (2006: HK\$14,007 million) and on the ordinary shares in issue of 10,572,780,266 shares (2006: 10,572,780,266 ordinary shares).

There was no dilution of earnings per share as no potential ordinary shares were in issue for the year ended 31 December 2007 (2006: Nil).

4. Directors' and senior management's emoluments

(a) Directors' emoluments

Details of the emoluments paid to or receivable by the directors of the Company in respect of their services rendered for the Company and managing the subsidiaries within the Group during the year are as follows:

	Directors' fees	Basic salaries, allowances and benefits in kind	Contributions to pension schemes	Bonus	Total
For the year 2007	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Executive Directors</b>					
He Guangbei	100	5,326	–	3,000	8,426
Lee Raymond Wing Hung	259	3,044	112	1,339	4,754
Gao Yingxin	100	2,278	–	1,120	3,498
	459	10,648	112	5,459	16,678
<b>Non-executive Directors</b>					
Xiao Gang	–	–	–	–	–
Sun Changji	300	–	–	–	300
Hua Qingshan	137	–	–	–	137
Li Zaohang	250	–	–	–	250
Zhou Zaiqun	300	–	–	–	300
Zhang Yanling	250	–	–	–	250
Fung Victor Kwok King*	300	–	–	–	300
Koh Beng Seng*	350	–	–	–	350
Shan Weijian*	350	–	–	–	350
Tung Chee Chen*	300	–	–	–	300
Tung Savio Wai-Hok*	350	–	–	–	350
Yang Linda Tsao*	400	–	–	–	400
	3,287	–	–	–	3,287
	3,746	10,648	112	5,459	19,965

**4. Directors' and senior management's emoluments (continued)**  
**(a) Directors' emoluments (continued)**

For the year 2006	Directors' fees HK\$'000	Basic salaries, allowances and benefits in kind HK\$'000	Bonus HK\$'000	Total HK\$'000
<b>Executive Director</b>				
He Guangbei	300	4,658	1,818	6,776
<b>Non-executive Directors</b>				
Xiao Gang	222	–	–	222
Sun Changji	300	–	–	300
Hua Qingshan	300	–	–	300
Li Zaohang	250	–	–	250
Zhou Zaiqun	300	–	–	300
Zhang Yanling	250	–	–	250
Fung Victor Kwok King*	300	–	–	300
Koh Beng Seng*	272	–	–	272
Shan Weijian*	350	–	–	350
Tung Chee Chen*	300	–	–	300
Tung Savio Wai-Hok*	350	–	–	350
Yang Linda Tsao*	400	–	–	400
	3,894	4,658	1,818	10,370

Note:

\* Independent Non-executive Directors

In July 2002, options were granted to several directors of the Company by the immediate holding company, BOC (BVI), under the Pre-Listing Share Option Scheme. During the year, certain options were exercised, but no benefits arising from the granting of these share options were included in the directors' emoluments disclosed above or recognised in the income statement.

For the year ended 31 December 2007, one of the directors waived emoluments of HK\$200,000 (2006: Nil).

4. Directors' and senior management's emoluments (continued)

(b) Five highest paid individuals

For the year ended 31 December 2007, one of the five highest paid individuals in the Group was appointed as an executive director, and together with the existing director, there are 2 (2006: 1) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2006: 4) individuals during the year are as follows:

	2007 HK\$m	2006 HK\$m
Basic salaries and allowances	11	13
Discretionary bonuses	4	6
Contributions to pension schemes	1	1
Amount paid as an inducement to join the Group	4	–
	<b>20</b>	<b>20</b>

Emoluments of individuals were within the following bands:

	Number of individuals	
	2007	2006
HK\$3,500,001 – HK\$4,000,000	–	1
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$5,500,001 – HK\$6,000,000	1	1
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$6,500,001 – HK\$7,000,000	1	–
HK\$7,500,001 – HK\$8,000,000	1	–

## 5. Investment properties

	2007 HK\$'m	2006 HK\$'m
At 1 January	7,481	7,626
Disposals	(200)	(529)
Fair value gains	1,056	574
Reclassification to properties, plant and equipment (Note 6)	(279)	(190)
At 31 December	<b>8,058</b>	7,481

As at 31 December 2007, investment properties are included in the consolidated balance sheet at valuation carried out at 31 December 2007 on the basis of their fair value by an independent firm of chartered surveyors, Savills Valuation and Professional Services Limited.

The carrying value of investment properties is analysed based on the remaining terms of the leases as follows:

	2007 HK\$'m	2006 HK\$'m
Held in Hong Kong		
On long-term lease (over 50 years)	7,251	6,687
On medium-term lease (10 – 50 years)	528	545
On short-term lease (less than 10 years)	48	40
Held outside Hong Kong		
On long-term lease (over 50 years)	3	4
On medium-term lease (10 – 50 years)	224	201
On short-term lease (less than 10 years)	4	4
	<b>8,058</b>	7,481

6. Properties, plant and equipment

	Premises HK\$'m	Property under development HK\$'m	Equipment, fixtures and fittings HK\$'m	Total HK\$'m
Net book value at 1 January 2007	17,906	–	1,834	19,740
Additions	–	–	1,147	1,147
Disposals	(16)	–	(17)	(33)
Revaluation	2,946	–	–	2,946
Depreciation for the year	(332)	–	(455)	(787)
Reclassification from investment properties (Note 5)	279	–	–	279
Exchange adjustments	–	–	1	1
Net book value at 31 December 2007	20,783	–	2,510	23,293
At 31 December 2007				
Cost or valuation	20,783	–	5,642	26,425
Accumulated depreciation and impairment	–	–	(3,132)	(3,132)
Net book value at 31 December 2007	20,783	–	2,510	23,293
Net book value at 1 January 2006	16,989	11	1,491	18,491
Additions	–	–	736	736
Disposals	(186)	(7)	(25)	(218)
Revaluation	1,208	–	–	1,208
Depreciation for the year	(303)	–	(368)	(671)
Reclassification from investment properties (Note 5)	190	–	–	190
Reversal of/(provision for) impairment losses	8	(4)	–	4
Net book value at 31 December 2006	17,906	–	1,834	19,740
At 31 December 2006				
Cost or valuation	17,906	–	4,658	22,564
Accumulated depreciation and impairment	–	–	(2,824)	(2,824)
Net book value at 31 December 2006	17,906	–	1,834	19,740
The analysis of cost or valuation of the above assets is as follows:				
At 31 December 2007				
At cost	–	–	5,642	5,642
At valuation	20,783	–	–	20,783
	20,783	–	5,642	26,425
At 31 December 2006				
At cost	–	–	4,658	4,658
At valuation	17,906	–	–	17,906
	17,906	–	4,658	22,564

## 6. Properties, plant and equipment (continued)

The carrying value of premises is analysed based on the remaining terms of the leases as follows:

	2007 HK\$'m	2006 HK\$'m
Held in Hong Kong		
On long-term lease (over 50 years)	12,955	11,224
On medium-term lease (10 – 50 years)	7,584	6,452
Held outside Hong Kong		
On long-term lease (over 50 years)	57	54
On medium-term lease (10 – 50 years)	170	160
On short-term lease (less than 10 years)	17	16
	<b>20,783</b>	17,906

As at 31 December 2007, premises are included in the consolidated balance sheet at valuation carried out at 31 December 2007 on the basis of their fair value by an independent firm of chartered surveyors, Savills Valuation and Professional Services Limited.

As a result of the above-mentioned revaluations, changes in value of the Group's premises were recognised in the Group's premises revaluation reserve, the income statement and minority interests respectively as follows:

	2007 HK\$'m	2006 HK\$'m
Increase in valuation credited to premises revaluation reserve	2,910	1,209
Increase/(decrease) in valuation credited to income statement	19	(1)
Increase in valuation credited to minority interests	17	–
	<b>2,946</b>	1,208

As at 31 December 2007, the net book value of premises that would have been included in the Group's consolidated balance sheet had the assets been carried at cost less accumulated depreciation and impairment losses was HK\$6,072 million (2006: HK\$5,750 million).

**7. Deferred taxation**

Deferred tax is recognised in respect of the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements in accordance with HKAS 12 “Income Taxes”.

The major components of deferred tax assets and liabilities recorded in the consolidated balance sheet, and the movements during the year are as follows:

	2007					
	Accelerated tax depreciation HK\$'m	Asset revaluation HK\$'m	Losses HK\$'m	Provisions HK\$'m	Other temporary differences HK\$'m	Total HK\$'m
At 1 January 2007	401	3,155	(71)	(89)	(74)	3,322
Charged/(credited) to income statement	132	143	56	(80)	1	252
Charged/(credited) to equity and minority interests	-	479	-	-	(109)	370
At 31 December 2007	533	3,777	(15)	(169)	(182)	3,944

	2006					
	Accelerated tax depreciation HK\$'m	Asset revaluation HK\$'m	Losses HK\$'m	Provisions HK\$'m	Other temporary differences HK\$'m	Total HK\$'m
At 1 January 2006	357	2,941	(72)	(127)	(112)	2,987
Charged to income statement	44	49	1	38	20	152
Charged to equity	-	165	-	-	18	183
At 31 December 2006	401	3,155	(71)	(89)	(74)	3,322

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. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2007 HK\$'m	2006 HK\$'m
Deferred tax assets	(23)	(69)
Deferred tax liabilities	3,967	3,391
	3,944	3,322

	2007 HK\$'m	2006 HK\$'m
Deferred tax assets to be recovered after more than twelve months	(23)	(69)
Deferred tax liabilities to be settled after more than twelve months	4,115	3,434
	4,092	3,365

**7. Deferred taxation (continued)**

The deferred tax charged/(credited) to equity during the year is as follows:

	<b>2007</b> <b>HK\$'m</b>	2006 HK\$'m
Fair value reserves in shareholders' equity:		
– premises	<b>476</b>	165
– available-for-sale securities	<b>(109)</b>	18
– minority interests	<b>3</b>	–
	<b>370</b>	183

**8. Share capital**

	<b>2007</b> <b>HK\$'m</b>	2006 HK\$'m
Authorised:		
20,000,000,000 ordinary shares of HK\$5 each	<b>100,000</b>	100,000
Issued and fully paid:		
10,572,780,266 ordinary shares of HK\$5 each	<b>52,864</b>	52,864

9. Reserves

	Attributable to equity holders of the Company									
	Share capital HK\$'m	Premises revaluation reserve HK\$'m	Reserve for fair value changes of available- for-sale securities HK\$'m	Regulatory reserve* HK\$'m	Merger reserve** HK\$'m	Translation reserve HK\$'m	Retained earnings HK\$'m	Total HK\$'m	Minority interests HK\$'m	Total equity HK\$'m
At 1 January 2006	52,864	5,060	(245)	3,526	443	(4)	18,291	79,935	1,778	81,713
Net profit for the year	-	-	-	-	-	-	14,007	14,007	277	14,284
Currency translation difference	-	-	-	-	-	4	-	4	-	4
2005 final dividend paid	-	-	-	-	-	-	(5,075)	(5,075)	-	(5,075)
2006 interim dividend paid	-	-	-	-	-	-	(4,240)	(4,240)	(70)	(4,310)
Revaluation of premises	-	1,209	-	-	-	-	-	1,209	-	1,209
Release upon disposal of premises	-	(64)	-	-	-	-	64	-	-	-
Change in fair value of available-for-sale securities taken to equity	-	-	99	-	-	-	-	99	-	99
Amortisation with respect to available-for-sale securities transferred to held-to-maturity securities	-	-	50	-	-	-	(247)	(197)	-	(197)
Release of reserve upon disposal of available-for-sale securities	-	-	(1)	-	-	-	(3)	(4)	-	(4)
Distribution of cash	-	-	-	-	(900)	-	-	(900)	-	(900)
Release to deferred tax liabilities	-	(165)	(18)	-	-	-	-	(183)	-	(183)
Transfer from retained earnings	-	-	-	95	457	-	(552)	-	-	-
At 31 December 2006	52,864	6,040	(115)	3,621	-	-	22,245	84,655	1,985	86,640
Company and subsidiaries	52,864	6,040	(115)	3,621	-	-	22,229	84,639		
Associates	-	-	-	-	-	-	16	16		
	52,864	6,040	(115)	3,621	-	-	22,245	84,655		

## 9. Reserves (continued)

	Attributable to equity holders of the Company								
	Share capital HK\$'m	Premises revaluation reserve HK\$'m	Reserve for fair value changes of available-for-sale securities HK\$'m	Regulatory reserve* HK\$'m	Translation reserve HK\$'m	Retained earnings HK\$'m	Total HK\$'m	Minority interests HK\$'m	Total equity HK\$'m
At 1 January 2007	52,864	6,040	(115)	3,621	-	22,245	84,655	1,985	86,640
Net profit for the year	-	-	-	-	-	15,446	15,446	371	15,817
Currency translation difference	-	-	-	-	14	-	14	-	14
2006 final dividend paid	-	-	-	-	-	(4,726)	(4,726)	(79)	(4,805)
2007 interim dividend paid	-	-	-	-	-	(4,525)	(4,525)	(78)	(4,603)
Revaluation of premises	-	2,910	-	-	-	-	2,910	17	2,927
Release upon disposal of premises	-	(23)	-	-	-	23	-	-	-
Change in fair value of available-for-sale securities taken to equity	-	-	(768)	-	-	-	(768)	3	(765)
Amortisation with respect to available-for-sale securities transferred to held-to-maturity securities	-	-	12	-	-	(115)	(103)	-	(103)
Net impairment charges transferred to profit or loss	-	-	289	-	-	-	289	-	289
Release of reserve upon disposal of available-for-sale securities	-	-	17	-	-	-	17	-	17
Release (to)/from deferred tax liabilities	-	(476)	109	-	-	-	(367)	(3)	(370)
Transfer from retained earnings	-	-	-	509	-	(509)	-	-	-
At 31 December 2007	52,864	8,451	(456)	4,130	14	27,839	92,842	2,216	95,058
Company and subsidiaries	52,864	8,451	(456)	4,130	14	27,794	92,797		
Associates	-	-	-	-	-	45	45		
	52,864	8,451	(456)	4,130	14	27,839	92,842		
Representing:									
2007 final dividend proposed						5,149			
Others						22,690			
Retained earnings as at 31 December 2007						27,839			

\* In accordance with the requirements of the HKMA, the amounts are set aside for general banking risks, including future losses or other unforeseeable risks, in addition to the loan impairment allowances recognised under HKAS 39.

\*\* Merger reserve arising on the acquisition of BOC Life. On 1 June 2006, the Group acquired a 51% shareholding of BOC Life with a total consideration of HK\$900 million.

## 10. Segmental reporting

The Group engages in many businesses in several regions. For segmental reporting purposes, information is solely provided in respect of business segments. Geographical segment information is not presented because over 90% of the Group's revenues, profits before tax and assets are derived from Hong Kong.

Information about four business segments is provided in segmental reporting. They are Personal Banking, Corporate Banking, Treasury and Insurance.

Both Personal Banking and Corporate Banking segments provide general banking services. Personal Banking serves individual customers while Corporate Banking deals with non individual customers. The Treasury segment is responsible for managing the capital, liquidity, and the interest rate and foreign exchange positions of the Group in addition to proprietary trades. The Insurance segment shows business relates to the Group's long-term life insurance products, including traditional and linked individual life insurance and group life insurance products. "Others" refers to those items related to the Group as a whole but independent of the other four business segments, including the Group's holdings of premises, investment properties and interests in associates.

Revenues, expenses, assets and liabilities of any business segment mainly include items directly attributable to the segment. In relation to occupation of the Group's premises, rentals are internally charged on market rates according to the areas occupied. For management overheads, allocations are made on reasonable bases. During the period, the Group has revised the allocation bases and comparative amounts have been reclassified to conform with the current year's presentation. There is no impact on the Group's income statement and balance sheet. Inter-segment funding is charged according to the internal funds transfer pricing mechanism of the Group. The charge on any such funding is mainly made by reference to the corresponding money market rate.

## 10. Segmental reporting (continued)

	2007							
	Personal HK\$'m	Corporate HK\$'m	Treasury HK\$'m	Insurance HK\$'m	Others HK\$'m	Subtotal HK\$'m	Eliminations HK\$'m	Consolidated HK\$'m
Net interest (expenses)/income								
– external	(8,552)	5,067	22,015	788	77	19,395	–	19,395
– inter-segment	16,696	672	(16,146)	–	(1,222)	–	–	–
	8,144	5,739	5,869	788	(1,145)	19,395	–	19,395
Net fees and commission income/ (expenses)	4,983	1,778	47	(307)	(116)	6,385	(111)	6,274
Net trading income	538	151	236	–	87	1,012	1	1,013
Net (loss)/gain on financial instruments designated at fair value through profit or loss	–	–	(25)	893	–	868	–	868
Net loss on investments in securities	–	–	(53)	–	–	(53)	–	(53)
Net insurance premium income	–	–	–	8,429	–	8,429	(3)	8,426
Other operating income	410	1	1	15	1,688	2,115	(1,344)	771
<b>Total operating income</b>	<b>14,075</b>	<b>7,669</b>	<b>6,075</b>	<b>9,818</b>	<b>514</b>	<b>38,151</b>	<b>(1,457)</b>	<b>36,694</b>
Net insurance benefits and claims	–	–	–	(9,440)	–	(9,440)	–	(9,440)
<b>Net operating income before impairment allowances</b>	<b>14,075</b>	<b>7,669</b>	<b>6,075</b>	<b>378</b>	<b>514</b>	<b>28,711</b>	<b>(1,457)</b>	<b>27,254</b>
Net (charge)/reversal of impairment allowances	(112)	797	(2,133)	–	–	(1,448)	–	(1,448)
<b>Net operating income</b>	<b>13,963</b>	<b>8,466</b>	<b>3,942</b>	<b>378</b>	<b>514</b>	<b>27,263</b>	<b>(1,457)</b>	<b>25,806</b>
Operating expenses	(5,829)	(1,940)	(627)	(117)	(717)	(9,230)	1,457	(7,773)
<b>Operating profit/(loss)</b>	<b>8,134</b>	<b>6,526</b>	<b>3,315</b>	<b>261</b>	<b>(203)</b>	<b>18,033</b>	<b>–</b>	<b>18,033</b>
Net gain from disposal of/fair value adjustments on investment properties	–	–	–	–	1,064	1,064	–	1,064
Net (loss)/gain from disposal/ revaluation of properties, plant and equipment	(5)	–	–	–	31	26	–	26
Share of profits less losses of associates	–	–	–	–	3	3	–	3
<b>Profit before taxation</b>	<b>8,129</b>	<b>6,526</b>	<b>3,315</b>	<b>261</b>	<b>895</b>	<b>19,126</b>	<b>–</b>	<b>19,126</b>
<b>Assets</b>								
Segment assets	162,634	281,680	566,661	24,545	37,567	1,073,087	(5,771)	1,067,316
Interests in associates	–	–	–	–	83	83	–	83
Unallocated corporate assets	–	–	–	–	238	238	–	238
	162,634	281,680	566,661	24,545	37,888	1,073,408	(5,771)	1,067,637
<b>Liabilities</b>								
Segment liabilities	545,397	284,353	116,095	23,182	2,539	971,566	(5,771)	965,795
Unallocated corporate liabilities	–	–	–	–	6,784	6,784	–	6,784
	545,397	284,353	116,095	23,182	9,323	978,350	(5,771)	972,579
<b>Other information</b>								
Additions of properties, plant and equipment	14	8	–	2	1,123	1,147	–	1,147
Depreciation	234	90	56	2	405	787	–	787
Amortisation of securities	–	–	2,075	–	–	2,075	–	2,075

## 10. Segmental reporting (continued)

	2006							
	Personal HK\$'m	Corporate HK\$'m	Treasury HK\$'m	Insurance HK\$'m	Others HK\$'m	Subtotal HK\$'m	Eliminations HK\$'m	Consolidated HK\$'m
Net interest (expenses)/income								
– external	(8,386)	4,797	18,870	473	81	15,835	–	15,835
– inter-segment	15,389	212	(14,464)	–	(1,137)	–	–	–
	7,003	5,009	4,406	473	(1,056)	15,835	–	15,835
Net fees and commission income/ (expenses)	2,413	1,530	(5)	(206)	44	3,776	(59)	3,717
Net trading income	588	120	858	–	–	1,566	1	1,567
Net (loss)/gain on financial instruments designated at fair value through profit or loss	–	–	(99)	420	–	321	–	321
Net (loss)/gain on investments in securities	–	–	(11)	–	6	(5)	–	(5)
Net insurance premium income	–	–	–	6,198	–	6,198	(3)	6,195
Other operating income	48	37	–	9	1,416	1,510	(1,176)	334
<b>Total operating income</b>	10,052	6,696	5,149	6,894	410	29,201	(1,237)	27,964
Net insurance benefits and claims	–	–	–	(6,655)	–	(6,655)	–	(6,655)
<b>Net operating income before impairment allowances</b>	10,052	6,696	5,149	239	410	22,546	(1,237)	21,309
Net (charge)/reversal of impairment allowances	(37)	1,827	–	–	4	1,794	–	1,794
<b>Net operating income</b>	10,015	8,523	5,149	239	414	24,340	(1,237)	23,103
Operating expenses	(4,853)	(1,653)	(521)	(65)	(703)	(7,795)	1,237	(6,558)
<b>Operating profit/(loss)</b>	5,162	6,870	4,628	174	(289)	16,545	–	16,545
Net gain from disposal of/fair value adjustments on investment properties	–	–	–	–	605	605	–	605
Net (loss)/gain from disposal/ revaluation of properties, plant and equipment	(18)	(3)	(2)	–	7	(16)	–	(16)
Share of profits less losses of associates	–	–	–	–	5	5	–	5
<b>Profit before taxation</b>	5,144	6,867	4,626	174	328	17,139	–	17,139
<b>Assets</b>								
Segment assets	144,828	227,527	517,200	15,804	26,889	932,248	(3,576)	928,672
Interests in associates	–	–	–	–	60	60	–	60
Unallocated corporate assets	–	–	–	–	221	221	–	221
	144,828	227,527	517,200	15,804	27,170	932,529	(3,576)	928,953
<b>Liabilities</b>								
Segment liabilities	516,848	209,363	98,532	14,649	173	839,565	(3,576)	835,989
Unallocated corporate liabilities	–	–	–	–	6,324	6,324	–	6,324
	516,848	209,363	98,532	14,649	6,497	845,889	(3,576)	842,313
<b>Other information</b>								
Additions of properties, plant and equipment	–	–	–	–	736	736	–	736
Depreciation	178	78	46	1	368	671	–	671
Amortisation of securities	–	–	1,924	–	–	1,924	–	1,924

**11. Loans to directors and officers**

Particulars of advances made to directors and officers of the Company pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

	<b>2007</b> <b>HK\$'m</b>	2006 HK\$'m
Aggregate amount of relevant loans outstanding at year end	<b>622</b>	184
Maximum aggregate amount of relevant loans outstanding during the year	<b>839</b>	347

**12. Comparative amounts**

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

**13. Approval of summary financial statements**

These Summary Financial Statements were approved and authorised for issue by the Board of Directors on 25 March 2008.

## CONNECTED TRANSACTIONS

In 2007, BOCHK, a wholly owned subsidiary of the Company, and its subsidiaries engaged on a regular basis in the usual course of their business in numerous transactions with BOC and its Associates. As BOC is the Company's controlling shareholder and therefore a connected person of the Company, all such transactions constituted connected transactions for the purposes of the Listing Rules. Central SAFE is the ultimate controlling shareholder of the Company, with the stated purpose of exercising the rights of an equity investor on behalf of the PRC Government and not to have any commercial operations. For the purposes of this report, therefore, Central SAFE and her associates has not been treated as connected persons to the Company.

The transactions fell into the following two categories:

1. de minimis transactions entered into in the usual course of business and under normal commercial terms. Such transactions were exempted from disclosure and shareholder approval by virtue of rule 14A.33 of the Listing Rules;
2. certain regular banking transactions entered into on a continual basis throughout the year. On 4 January 2005 the Company made an announcement (the "Announcement") in accordance with Rule 14A.34 of the Listing Rules. The Announcement listed those continuing connected transactions that exceeded the de minimus threshold and set out caps in respect of such transactions for the three years 2005-2007. These transactions were conducted in the ordinary course of its business and on normal commercial terms. On 11 April 2006 the Company has announced its intention to revise the caps for Inter-bank Capital Markets transactions, and has got the approval from the independent shareholders. On 28 August 2007 the Company has announced again to revise the caps for Securities transactions. Details of these continuing connected transactions are set out below and are described in the announcements which may be viewed at the Company's website.

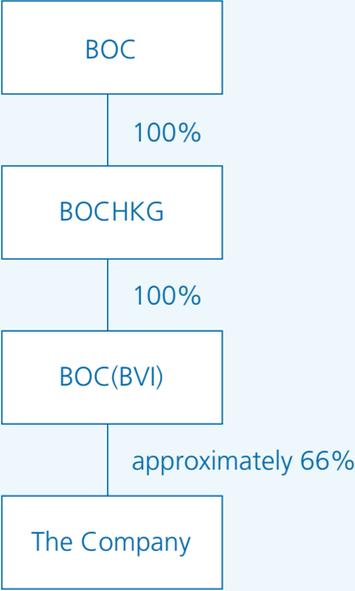
Type of Transaction	2007 Cap HK\$'m	2007 Actual Amount HK\$'m
Securities Transactions	1,100	511
Fund Distribution Transactions	250	223
Credit Card Services	290	96
Information Technology Services	140	66
Property Transactions	160	112
Bank-note Delivery	120	69
Insurance Agency	530	386
Provision of Insurance Cover	130	70
Foreign Exchange Transactions	550	18
Trading of Interests in Loans	18,500	1,347
Inter-bank Capital Markets	18,000	1,848

# RECONCILIATION BETWEEN HKFRSs VS IFRS/CAS

The Company understands that BOC, an intermediate holding company as well as controlling shareholder of the Company, will prepare and disclose consolidated financial information in accordance with IFRS and CAS for which the Company and its subsidiaries will form part of the consolidated financial statements. CAS is the new set of PRC accounting standards that has been effective for annual periods beginning on or after 1 January 2007 for companies publicly listed in PRC. The requirements of CAS have substantially converged with IFRS and HKFRSs. Comparative figures to the below reconciliation which presented under previous PRC GAAP in the prior year are restated accordingly.

The consolidated financial information of “BOC Hong Kong Group” for the periods disclosed by BOC in its consolidated financial statements is not the same as the consolidated financial information of the Group for the periods published by the Company pursuant to applicable laws and regulations in Hong Kong. There are two reasons for this.

First, the definitions of “BOC Hong Kong Group” (as adopted by BOC for the purpose of its own financial disclosure) and “Group” (as adopted by the Company in preparing and presenting its consolidated financial information) are different: “BOC Hong Kong Group” refers to BOCHKG and its subsidiaries, whereas “Group” refers to the Company and its subsidiaries (see the below organisation chart). Though there is difference in definitions between “BOC Hong Kong Group” and “Group”, their financial results for the periods presented are substantially the same. This is because BOCHKG and BOC (BVI) are holding companies only and have no substantive operations of their own.



## RECONCILIATION BETWEEN HKFRSs VS IFRS/CAS

Second, the Group has prepared its consolidated financial statements in accordance with HK GAAP prior to 1 January 2005 and as from 1 January 2005 onwards in accordance with HKFRSs; whereas the consolidated financial information reported to BOC is prepared in accordance with IFRS and CAS respectively. Despite the fact that HKFRSs have converged with IFRS, there is a timing difference in the initial adoption of HKFRSs and IFRS by the Group and by BOC respectively.

The Board considers that the best way to ensure that shareholders and the investing public understand the material differences between the consolidated financial information of the Group published by the Company on the one hand, and the consolidated financial information of BOC Hong Kong Group disclosed by BOC in its financial statements on the other hand, is to present reconciliations of the profit after tax/net assets of the Group prepared under HKFRSs to the profit after tax/net assets of the Group prepared under IFRS and CAS respectively for the periods presented.

The major differences between HKFRSs and IFRS/CAS, which arise from the difference in measurement basis in IFRS or CAS and the timing difference in the initial adoption of HKFRSs and IFRS relate to the following:

- re-measurement of carrying value of treasury products;
- restatement of carrying value of bank premises; and
- deferred taxation impact arising from the above different measurement basis.

### **(a) Re-measurement of carrying value of treasury products**

Due to the difference in the timing of first adoption of HKFRSs and IFRS, classification and measurement of certain investment securities under HK GAAP/HKFRSs and IFRS were different. Therefore, investment securities were reclassified and re-measured to align with the accounting policies of BOC for the relevant periods. Classification and measurement under IFRS and CAS is basically the same.

### **(b) Restatement of carrying value of bank premises**

The Company has elected for a revaluation basis rather than cost basis to account for bank premises and investment properties under HKFRSs. On the contrary, BOC has elected for the cost convention for bank premises and revaluation basis for investment properties under IFRS and CAS. Therefore, adjustments have been made to the carrying value of bank premises as well as to re-calculate the depreciation charge and disposal gain/loss under IFRS and CAS.

**(c) Deferred tax adjustments**

These represent the deferred tax effect of the aforesaid adjustments.

Going forward, the differences relating to the restatement of carrying value of bank premises as a result of the election of the different measurement basis allowed under HKFRSs, IFRS and CAS will be recurring in the future, while the timing difference related to the measurement of investment securities will be reversed gradually and eliminated in future years.

**Profit after tax/Net assets reconciliation  
HKFRSs Vs IFRS/CAS**

	Profit after tax		Net assets	
	2007 HK\$'m	2006 HK\$'m	2007 HK\$'m	2006 HK\$'m
<b>Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under HKFRSs</b>	<b>15,817</b>	14,284	<b>95,058</b>	86,640
Add: IFRS/CAS adjustments				
Re-measurement of carrying value of treasury products	<b>(146)</b>	(226)	<b>1</b>	44
Restatement of carrying value of bank premises	<b>125</b>	164	<b>(9,990)</b>	(7,295)
Deferred tax adjustments	<b>(3)</b>	28	<b>1,692</b>	1,230
<b>Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under IFRS/CAS</b>	<b>15,793</b>	14,250	<b>86,761</b>	80,619

Note: CAS 2006 figures have been restated.

# INDEPENDENT AUDITOR'S STATEMENT ON THE SUMMARY FINANCIAL REPORT

## TO THE SHAREHOLDERS OF BOC HONG KONG (HOLDINGS) LIMITED

(incorporated in Hong Kong with limited liability)

We have examined the summary financial report of BOC Hong Kong (Holdings) Limited for the year ended 31 December 2007 on pages 4 to 107.

### Directors' responsibility

Under the Hong Kong Companies Ordinance, the directors are responsible for preparing the summary financial report which complies with section 141CF (1) of the Hong Kong Companies Ordinance. In preparing the summary financial report, section 141CF(1) of the Hong Kong Companies Ordinance requires that the summary financial report be derived from the annual financial statements and the independent auditor's report thereon and the directors' report for the year ended 31 December 2007, be in such form and contain such information and particulars as specified in section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and be approved by the board of directors.

### Auditor's responsibility

It is our responsibility to form an independent opinion on the summary financial report, based on our examination, and to report our opinion solely to you, as a body, and we are also required to state whether the independent auditor's report on the annual financial statements for the year ended 31 December 2007 is qualified or otherwise modified, in accordance with section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this statement.

We conducted our engagement in accordance with Hong Kong Standards on Assurance Engagements and with reference to Practice Note 710 "The auditors' statement on the summary financial report" issued by the Hong Kong Institute of Certified Public Accountants. Our examination includes examining evidence supporting the consistency of the summary financial report with the annual financial statements and the independent auditor's report thereon and the directors' report for the year ended 31 December 2007 and the compliance of the summary financial report with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

### Opinion

Based on the foregoing, in our opinion the summary financial report on pages 4 to 107:

- (a) is consistent with the annual financial statements and the independent auditor's report thereon and the directors' report of BOC Hong Kong (Holdings) Limited for the year ended 31 December 2007 from which it is derived; and
- (b) complies with the requirements of section 5 of the Hong Kong Companies (Summary Financial Reports of Listed Companies) Regulation.

We have audited the annual financial statements of BOC Hong Kong (Holdings) Limited for the year ended 31 December 2007 and have issued an independent auditor's report thereon dated 25 March 2008 which is unqualified or otherwise unmodified.



**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 25 March 2008

# SHAREHOLDER INFORMATION

## Financial Calendar 2008

Announcement of 2007 annual results	25 March (Tuesday)
Last day in Hong Kong of dealings in the Company's shares with entitlement to final dividend	8 May (Thursday)
Ex-dividend date	9 May (Friday)
ADS record date for final dividend	13 May (Tuesday)
Latest time in Hong Kong for lodging transfers for entitlement to final dividend	13 May (Tuesday) 4:30 p.m.
Book closure period (both days inclusive)	14 May (Wednesday) to 19 May (Monday)
Record date for final dividend	19 May (Monday)
Latest time for lodging proxy forms for 2008 Annual General Meeting	16 May (Friday) 3:00 p.m.
2008 Annual General Meeting	20 May (Tuesday) 3:00 p.m.
Final dividend payment date	27 May (Tuesday)
Announcement of 2008 interim results	Mid to late August

## Annual General Meeting

The 2008 Annual General Meeting will be held at 3:00 p.m. on Tuesday, 20 May 2008 at 17th Floor., Bank of China Tower, 1 Garden Road, Hong Kong.

## Dividends

The Directors have recommended a final dividend of HK\$0.487 per share subject to the approval of shareholders at the 2008 Annual General Meeting.

## Share Information

### Listing

The Company's ordinary shares are listed and traded on the Stock Exchange. In addition, the Company maintains a Level 1 ADR facility for its ADSs. Each ADS represents 20 ordinary shares of the Company.

### Ordinary shares (as at 31 December 2007)

Issued shares:	10,572,780,266
Public float:	Approximately 34%

### Nominal value

HK\$5.00 per share

### Market capitalisation (as at 31 December 2007)

231.02 billion

### Share Price

Closing price on 30 December 2005:	HK\$14.90
Closing price on 29 December 2006:	HK\$21.10
Closing price on 31 December 2007:	HK\$21.85
Highest trading price during the year:	HK\$22.70
Lowest trading price during the year:	HK\$16.78

### Credit ratings (long term)

Standard & Poor's:	A-
Moody's Investors Service:	Aa3
Fitch Ratings:	A

## SHAREHOLDER INFORMATION

### **Index constituent**

The Company is a constituent of the following indices:

Hang Seng Index

Hang Seng London Reference Index

MSCI Index

FTSE All-World Hong Kong Index

FTSE/Xinhua China 25 Index

### **Stock codes**

Ordinary shares:

The Stock Exchange of Hong Kong Limited: 2388

Reuters: 2388.HK

Bloomberg: 2388 HK

Level 1 ADR Programme:

CUSIP No.: 096813209

OTC Symbol: BHKLY

### **Shareholder Enquiries**

Any matters relating to your shareholding, e.g. transfer of shares, change of name or address, lost share certificates and dividend warrants, should be sent in writing to:

Hong Kong

Computershare Hong Kong Investor Services Limited

Rooms 1806-1807

18th Floor, Hopewell Centre

183 Queen's Road East

Telephone: (852) 2862 8555

Facsimile: (852) 2865 0990 / (852) 2529 6087

E-mail: [hkinfo@computershare.com.hk](mailto:hkinfo@computershare.com.hk)

USA

Citibank Shareholder Services

250 Royall Street

Canton, MA 02021, USA

Telephone: 1-877-248-4237 (toll free)

1-781-575-4555 (outside USA)

E-mail: [Citibank@shareholders-online.com](mailto:Citibank@shareholders-online.com)

### **Investor Relations Contact**

Enquiries may be directed to:

Investor Relations Division

BOC Hong Kong (Holdings) Limited

52nd Floor

Bank of China Tower

1 Garden Road

Hong Kong

Telephone: (852) 2903 6602 / (852) 2826 6314

Facsimile: (852) 2810 5830

E-mail: [investor\\_relations@bochk.com](mailto:investor_relations@bochk.com)

# DEFINITIONS

In this Summary Financial Report, unless the context otherwise requires, the following terms shall have the meanings set out below:

Terms	Meanings
"AC"	The Audit Committee
"ADR"	American Depositary Receipt
"ADS(s)"	American Depositary Share(s)
"ALCO"	The Asset and Liability Management Committee
"ATM"	Automated Teller Machine
"Annual Financial Statements"	the annual financial statements of BOC Hong Kong (Holdings) Limited
"Associate(s)"	has the meaning ascribed to "associate(s)" in the Listing Rules
"Board" or "Board of Directors"	the Board of Directors of the Company
"BOC"	Bank of China Limited, a joint stock commercial bank with limited liability established under the laws of the PRC, the H shares and A shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange respectively
"BOC (BVI)"	BOC Hong Kong (BVI) Limited, a company incorporated under the laws of the British Virgin Islands and a wholly owned subsidiary of BOCHKG
"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, in which the Group and BOC Insurance hold equity interests of 51% and 49% respectively
"BOC-CC"	BOC Credit Card (International) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOCHK
"BOCHK" or "the Bank"	Bank of China (Hong Kong) Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of the Company
"BOCHK Charitable Foundation"	Bank of China (Hong Kong) Limited Charitable Foundation (formerly known as the "Bank of China Group Charitable Foundation"), a charitable foundation being established in July 1994
"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
"CAR"	Capital Adequacy Ratio, 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 Banking (Capital) Rules
"CAS"	China Accounting Standards
"CBS"	Corporate Banking Services
"CE"	Chief Executive
"CRO"	Chief Risk Officer
"Central SAFE"	Central SAFE Investments Limited
"Chiyu"	Chiyu Banking Corporation Limited, a company incorporated under the laws of Hong Kong, in which BOCHK holds an equity interest of 70.49%
"Company"	BOC Hong Kong (Holdings) Limited, a company incorporated under the laws of Hong Kong
"Fitch"	Fitch Ratings
"GDP"	Gross Domestic Product
"Group"	the Company and its subsidiaries collectively referred as the Group
"HIBOR"	Hong Kong Interbank Offered Rate
"HK GAAP"	Generally Accepted Accounting Principles in Hong Kong
"HKAS(s)"	Hong Kong Accounting Standard(s)
"HKFRS(s)"	Hong Kong Financial Reporting Standard(s)
"HKICPA"	Hong Kong Institute of Certified Public Accountants

## DEFINITIONS

Terms	Meanings
"HKMA"	Hong Kong Monetary Authority
"Hong Kong" or "Hong Kong SAR"	Hong Kong Special Administrative Region
"IPO"	Initial Public Offering
"IT"	Information Technology
"LIBOR"	London Interbank Offered Rate
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
"The Mainland" or "The Mainland of China"	The mainland of the PRC
"MSCI Index"	Morgan Stanley Capital International Index
"Moody's"	Moody's Investors Service
"Nanyang"	Nanyang Commercial Bank, Limited, a company incorporated under the laws of Hong Kong and a wholly owned subsidiary of BOCHK
"Nanyang (China)"	Nanyang Commercial Bank (China) Limited, a company incorporated under the laws of the PRC and a wholly owned subsidiary of Nanyang
"PRC"	The People's Republic of China
"QDII(s)"	Qualified Domestic Institutional Investor(s)
"QFII"	Qualified Foreign Institutional Investor
"RC"	The Risk Committee
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"RMD"	The Risk Management Department
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SME(s)"	Small and medium-sized enterprise(s)
"Share Option Scheme"	the Share Option Scheme conditionally approved and adopted by the shareholders of the Company on 10 July 2002
"Sharesave Plan"	the Sharesave Plan conditionally approved and adopted by the shareholders of the Company on 10 July 2002
"Standard & Poor's"	Standard & Poor's Ratings Services
"Stock Exchange" or "Stock Exchange of Hong Kong"	The Stock Exchange of Hong Kong Limited
"Summary Financial Report"	Summary Financial Report of the Group for the year ended 31 December 2007
"Summary Financial Statements"	comprise consolidated income statement and consolidated balance sheet of the Group extracted from the Annual Financial Statements
"US" or "USA"	the United States of America
"VAR"	Value at Risk

# BRANCH NETWORK & CORPORATE BANKING CENTRES

## Bank of China (Hong Kong) – Branch Network Hong Kong Island

Branch	Address	Telephone
<b>Central &amp; Western District</b>		
Bank of China Tower Branch	1 Garden Road, Hong Kong	2826 6888
Sheung Wan Branch	252 Des Voeux Road Central, Hong Kong	2541 1601
Queen's Road West (Sheung Wan) Branch	2-12 Queen's Road West, Sheung Wan, Hong Kong	2815 6888
Connaught Road Central Branch	13-14 Connaught Road Central, Hong Kong	2841 0410
Central District Branch	2A Des Voeux Road Central, Hong Kong	2160 8888
Central District (Wing On House) Branch	71 Des Voeux Road Central, Hong Kong	2843 6111
Shek Tong Tsui Branch	534 Queen's Road West, Shek Tong Tsui, Hong Kong	2819 7277
Western District Branch	386-388 Des Voeux Road West, Hong Kong	2549 9828
Queen's Road Central Branch	81-83 Queen's Road Central, Hong Kong	2588 1288
Bonham Road Branch	63 Bonham Road, Hong Kong	2517 7066
IFC Wealth Management Centre	Shop 3001, Level 3, IFC Mall, 1 Harbour View Street, Central, Hong Kong	2523 8180
Kennedy Town Branch	Harbour View Garden, 2-2F Catchick Street, Kennedy Town, Hong Kong	2818 6162
Caine Road Branch	57 Caine Road, Hong Kong	2521 3318
First Street Branch	55A First Street, Sai Ying Pun, Hong Kong	2517 3399
United Centre Branch	Shop 1021, United Centre, 95 Queensway, Hong Kong	2861 1889
Wyndham Street Branch	1-3 Wyndham Street, Central, Hong Kong	2843 2888
Des Voeux Road West Branch	111-119 Des Voeux Road West, Hong Kong	2546 1134
Gilman Street Branch	136 Des Voeux Road Central, Hong Kong	2135 1123
Shun Tak Centre Branch	Shop 225, 2/F, Shun Tak Centre, 200 Connaught Road Central, Hong Kong	2291 6081
<b>Wan Chai District</b>		
Jardine's Bazaar Branch	G/F, Siki Centre, No. 23 Jardine's Bazaar, Causeway Bay, Hong Kong	2882 1383
Gloucester Road Wealth Management Centre	Unit 3, G/F, Immigration Tower, 7 Gloucester Road, Wan Chai, Hong Kong	2511 8933
409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong	2835 6118
Johnston Road Branch	152-158 Johnston Road, Wan Chai, Hong Kong	2574 8257
Harbour Road Branch	26 Harbour Road, Wan Chai, Hong Kong	2827 8407
Happy Valley Branch	11 King Kwong Street, Happy Valley, Hong Kong	2838 6668
Causeway Bay Branch	18 Percival Street, Causeway Bay, Hong Kong	2572 4273
Wan Chai (China Overseas Building) Branch	139 Hennessy Road, Wan Chai, Hong Kong	2529 0866
Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong	2892 0909
Hennessy Road (Wan Chai) Branch	310-312 Hennessy Road, Wan Chai, Hong Kong	2923 5628
Wan Chai Road Branch	127-135 Wan Chai Road, Wan Chai, Hong Kong	2577 4862
<b>Eastern District</b>		
Siu Sai Wan Branch	Shop 19, Cheerful Garden, Siu Sai Wan, Hong Kong	2505 2399
Taikoo Shing Branch	Shop G1012, Yiu Sing Mansion, Taikoo Shing, Hong Kong	2886 0612
Taikoo Shing Branch Safe Box Service Centre	Shop G1006, Hoi Shing Mansion, Taikoo Shing, Hong Kong	2885 4582
North Point Branch	Roca Centre, 464 King's Road, North Point, Hong Kong	2811 8880
North Point (King's Centre) Branch	193-209 King's Road, North Point, Hong Kong	2286 2000
North Point (Hang Ying Building) Branch	Shop B1, 318-328 King's Road, North Point, Hong Kong	2887 1199
North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point, Hong Kong	2562 6108
Sai Wan Ho Branch	142-146 Shau Kei Wan Road, Sai Wan Ho, Hong Kong	2886 3344
Heng Fa Chuen Branch	Shop 205-208, East Wing Shopping Centre, Heng Fa Chuen, Chai Wan, Hong Kong	2897 1131
Kam Wa Street Branch	3 Kam Wa Street, Shau Kei Wan, Hong Kong	2885 9311
City Garden Branch	233 Electric Road, North Point, Hong Kong	2571 2878
King's Road Branch	131-133 King's Road, North Point, Hong Kong	2887 0282
Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan, Hong Kong	2558 6433
Chai Wan Branch Safe Box Service Centre	27 Gold Mine Building, 345 Chai Wan Road, Chai Wan, Hong Kong	2557 0248
Healthy Village Branch	Shop 1 & 2, Healthy Village Phase II, 668 King's Road, North Point, Hong Kong	2563 2278
Sheung On Street Branch	77 Sheung On Street, Chai Wan, Hong Kong	2897 0923

Branch	Address	Telephone
Aldrich Garden Branch	Shop 58, Aldrich Garden, Shau Kei Wan, Hong Kong	3196 4956
Shau Kei Wan (Po Man Building) Branch	260-262 Shau Kei Wan Road, Shau Kei Wan, Hong Kong	2568 5211
Wan Tsui Road Branch	4 Lin Shing Road, Chai Wan, Hong Kong	2557 3283
Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong	2564 0333
<b>Southern District</b>		
Tin Wan Branch	2-12 Ka Wo Street, Tin Wan, Hong Kong	2553 0135
Stanley Branch	Shop 401, Shopping Centre, Stanley Plaza, Hong Kong	2813 2290
Aberdeen Branch	25 Wu Pak Street, Aberdeen, Hong Kong	2553 4165
South Horizons Branch	G38, West Centre Marina Square, South Horizons, Ap Lei Chau, Hong Kong	2580 0345
South Horizons Branch Safe Box Service Centre	Shop 118, Marina Square East Centre, Ap Lei Chau, Hong Kong	2555 7477
Wah Kwai Estate Branch	Shop 17, Shopping Centre, Wah Kwai Estate, Hong Kong	2550 2298
Wong Chuk Hang Road Branch	40 Wong Chuk Hang Road, Hong Kong	2814 8272
Chi Fu Landmark Branch	Shop 510, Chi Fu Landmark, Pok Fu Lam, Hong Kong	2551 2282
Ap Lei Chau Branch	13-15 Wai Fung Street, Ap Lei Chau, Hong Kong	2554 6487

## Kowloon

Branch	Address	Telephone
<b>Kowloon City District</b>		
Prince Edward Road (Kowloon City) Branch	382-384 Prince Edward Road, Kowloon City, Kowloon	2926 6038
To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan, Kowloon	2364 4344
Pak Tai Street Branch	4-6 Pak Tai Street, To Kwa Wan, Kowloon	2760 7773
Hung Hom (Eldex Industrial Building) Branch	21 Ma Tau Wai Road, Hung Hom, Kowloon	2764 8363
Hung Hom Wealth Management Centre	37-39 Ma Tau Wai Road, Hung Hom, Kowloon	2170 0888
OUHK Branch	The Open University of Hong Kong, 30 Good Shepherd Street, Ho Man Tin, Kowloon	2760 9099
Ma Tau Kok Road Branch	39-45 Ma Tau Kok Road, To Kwa Wan, Kowloon	2714 9118
Ma Tau Wai Road Branch	47-49 Ma Tau Wai Road, Hung Hom, Kowloon	2926 5123
Site 11 Whampoa Garden Branch	Shop G6, Site 11, Whampoa Garden, Hung Hom, Kowloon	2363 3982
Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom, Kowloon	2764 7233
Nga Tsin Wai Road Branch	25 Nga Tsin Wai Road, Kowloon City, Kowloon	2383 2316
Waterloo Road Branch	Shop A2, Man Kee Mansion, 86 Waterloo Road, Kowloon	2363 9231
<b>Wong Tai Sin District</b>		
Tai Yau Street Branch	35 Tai Yau Street, San Po Kong, Kowloon	2328 0087
Chuk Yuen Estate Branch	Shop S1, Chuk Yuen Shopping Centre, Chuk Yuen South Estate, Kowloon	2325 5261
Choi Hung Branch	19 Clear Water Bay Road, Ngau Chi Wan, Kowloon	2327 0271
Choi Hung Road Branch	58-68 Choi Hung Road, San Po Kong, Kowloon	2927 6111
Choi Wan Estate Branch	A3-18 Commercial Complex, Choi Wan Estate, Kowloon	2754 5911
Wong Tai Sin Branch	Shop G1, Wong Tai Sin Shopping Centre, Wong Tai Sin, Kowloon	2327 8147
San Po Kong (Wing Lok Building) Branch	28-34 Tseuk Luk Street, San Po Kong, Kowloon	2328 7915
Yuk Wah Street Branch	46-48 Yuk Wah Street, Tsz Wan Shan, Kowloon	2927 6655
Lok Fu Branch	Shop 2, Lok Fu Shopping Centre II, Lok Fu, Kowloon	2337 0271
Tseuk Luk Street Wealth Management Centre	86 Tseuk Luk Street, San Po Kong, Kowloon	2326 2883
Sheung Fung Street Branch	66-68 Sheung Fung Street, Tsz Wan Shan, Kowloon	2327 8118
Diamond Hill Branch	G107 Plaza Hollywood, Diamond Hill, Kowloon	2955 5088

**Bank of China (Hong Kong) – Branch Network  
(continued)**

Branch	Address	Telephone
<b>Kwun Tong District</b>		
Kowloon Bay Wealth Management Centre	Shop 2, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon	2759 9339
Kowloon Bay Branch	17 Wang Hoi Road, Kowloon Bay, Kowloon	2331 3783
Ngau Tau Kok (Garden Estate) Branch	Shop 6, Lotus Tower 2, Kwun Tong Garden Estate, 297 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon	2763 5456
169 Ngau Tau Kok Road Branch	169 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon	2750 7311
177 Ngau Tau Kok Road Branch	177 Ngau Tau Kok Road, Ngau Tau Kok, Kowloon	2927 4321
Ping Tin Estate Branch	Shop 225, 2/F, Ping Tin Shopping Centre, Lam Tin, Kowloon	2927 7828
Wang Kwun Road Branch	Unit G1, Nan Fung Commercial Centre, Wang Kwun Road, Kowloon Bay, Kowloon	2755 0268
Sau Mau Ping Branch	Shop 214, Sau Mau Ping Shopping Centre, Sau Mau Ping, Kowloon	2772 0028
Hip Wo Street Branch	195-197 Hip Wo Street, Kwun Tong, Kowloon	2345 0102
Ting Fu Street Branch	11-13 Ting Fu Street, Ngau Tau Kok, Kowloon	2756 4621
Yau Tong Branch	Shop G1-G27, Ka Fu Arcade, Yau Tong Centre, Kowloon	2349 9191
Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong, Kowloon	2763 2127
Tsui Ping Estate Branch	Shop 116, 1/F, Shopping Circuit, Tsui Ping Estate, Kwun Tong, Kowloon	2345 3238
26 Fu Yan Street Branch	26-32 Fu Yan Street, Kwun Tong, Kowloon	2342 5262
95 Fu Yan Street Branch	95 Fu Yan Street, Kwun Tong, Kowloon	2343 4141
Telford Gardens Wealth Management Centre	Shop P8A, Telford Gardens, Kowloon Bay, Kowloon	2758 3987
Telford Gardens Branch	Shop P2, Telford Gardens, Kowloon Bay, Kowloon	2796 1551
Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin, Kowloon	2347 1456
Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong, Kowloon	2344 4116
Ngau Tau Kok Road (Kwun Tong) Branch	327 Ngau Tau Kok Road, Kwun Tong, Kowloon	2389 3301
Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon	2342 4295
<b>Yau Tsim Mong District</b>		
Tai Kok Tsui Branch	73-77 Tai Kok Tsui Road, Tai Kok Tsui, Kowloon	2395 3269
Shan Tung Street Branch	42-48 Shan Tung Street, Mong Kok, Kowloon	2332 5461
Shanghai Street (Prince Edward) Branch	689-693 Shanghai Street, Mong Kok, Kowloon	2391 0502
Prince Edward Branch	774 Nathan Road, Kowloon	2399 3000
Tsim Sha Tsui Branch	24-28 Carnarvon Road, Tsim Sha Tsui, Kowloon	2721 6242
Tsim Sha Tsui East Branch	Shop G02-03, Inter-Continental Plaza, 94 Granville Road, Tsim Sha Tsui, Kowloon	2739 0308
Jordan Branch	328-330 Nathan Road, Kowloon	2928 6111
Jordan Road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road, Kowloon	2730 0883
Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok, Kowloon	2394 4181
Mong Kok Branch	589 Nathan Road, Mong Kok, Kowloon	2332 0111
Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West, Mong Kok, Kowloon	2928 4138
Mong Kok Road Branch	50-52 Mong Kok Road, Mong Kok, Kowloon	2395 3263
Mong Kok (Silvercorp Int'l Tower) Branch	Shop B, 707-713 Nathan Road, Mong Kok, Kowloon	2391 6677
Mong Kok (President Commercial Centre) Branch	608 Nathan Road, Mong Kok, Kowloon	2384 7191
Shanghai Street (Yau Ma Tei) Branch	364-366 Shanghai Street, Yau Ma Tei, Kowloon	2782 2071
Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei, Kowloon	2780 2307
Kimberley Road Branch	37 Kimberley Road, Tsim Sha Tsui, Kowloon	2739 1886
Cameron Road Wealth Management Centre	30 Cameron Road, Tsim Sha Tsui, Kowloon	2312 0010
Humphrey's Avenue Branch	4-4A Humphrey's Avenue, Tsim Sha Tsui, Kowloon	2311 3822
Olympian City Branch	Shop 133, 1/F, Olympian City 2, 18 Hoi Ting Road, Kowloon	2749 2110
Fuk Tsun Street Branch	32-40 Fuk Tsun Street, Tai Kok Tsui, Kowloon	2391 8468
Canton Road Branch	60 Canton Road, Tsim Sha Tsui, Kowloon	2730 0688
Lock Road Branch	19 Lock Road, Tsim Sha Tsui, Kowloon	2367 6164

Branch	Address	Telephone
<b>Sham Shui Po District</b>		
Kowloon Plaza Branch	Unit 1, Kowloon Plaza, 485 Castle Peak Road, Kowloon	2370 8928
Festival Walk Branch	Unit LG256, Festival Walk, Kowloon Tong, Kowloon	2265 7288
Yu Chau Street Branch	42-46 Yu Chau Street, Sham Shui Po, Kowloon	2397 1123
Dragon Centre Branch	Shop 206A, Dragon Centre, 37K Yen Chow Street, Sham Shui Po, Kowloon	2788 3238
Lei Cheng Uk Estate Branch	Shop 108, Lei Cheng Uk Commercial Centre, Lei Cheng Uk Estate, Kowloon	2729 8251
Castle Peak Road (Cheung Sha Wan) Branch	365-371 Castle Peak Road, Cheung Sha Wan, Kowloon	2728 3311
108 Cheung Sha Wan Road Branch	108 Cheung Sha Wan Road, Sham Shui Po, Kowloon	2779 0157
194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon	2728 9389
Cheung Sha Wan Plaza Branch	Shop G08, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon	2745 7088
248 Castle Peak Road Branch	244-248 Castle Peak Road, Cheung Sha Wan, Kowloon	2386 1233
223 Nam Cheong Street Branch	223 Nam Cheong Street, Sham Shui Po, Kowloon	2928 2088
Stage 2 Mei Foo Sun Chuen Branch	19 Glee Path, Mei Foo Sun Chuen, Kowloon	2370 8382
Mei Foo VIP Centre	Shop N47-49, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon	2742 8003
Mei Foo Mount Sterling Mall Branch	17-B Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon	2742 6611
Lai Chi Kok Road Branch	282-284 Lai Chi Kok Road, Sham Shui Po, Kowloon	2728 7216
Sham Shui Po Branch	207-211 Nam Cheong Street, Sham Shui Po, Kowloon	2777 0171
Sham Shui Po (On Ning Building) Branch	147-149 Castle Peak Road, Sham Shui Po, Kowloon	2708 3678

**New Territories & Outlying Islands**

Branch	Address	Telephone
<b>Sha Tin District</b>		
Jat Min Chuen Branch	Shop 1, G/F, Ming Yiu Lau, Jat Min Chuen, Sha Tin, New Territories	2647 8784
41 Tai Wai Road Branch	41-45 Tai Wai Road, Sha Tin, New Territories	2929 4288
74 Tai Wai Road Branch	74-76 Tai Wai Road, Sha Tin, New Territories	2699 9523
Fo Tan Branch	No 2, 1/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories	2691 7193
Lucky Plaza Branch	Lucky Plaza, Wang Pok Street, Sha Tin, New Territories	2605 6556
City One Sha Tin Branch	Shop A, 16-20 Ngan Shing Commercial Centre, City One, Sha Tin, New Territories	2648 8083
Sha Tin VIP Centre	Shop 18, L1, Shatin Plaza, Sha Tin, New Territories	2688 7668
Sha Kok Estate Branch	Shop 39, Sha Kok Shopping Centre, Sha Kok Estate, Sha Tin, New Territories	2648 0302
Heng On Estate Branch	Shop 203, Commercial Centre, Heng On Estate, Ma On Shan, New Territories	2642 0111
Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan, New Territories	2631 0063
Lung Hang Estate Branch	103 Lung Hang Commercial Centre, Sha Tin, New Territories	2605 8618
New Town Plaza Branch	Shop 608, Level 6 Phase One, New Town Plaza, Sha Tin, New Territories	2606 6163
Sunshine City Branch	Shop 16, Blocks C & D, Sunshine City, Ma On Shan, New Territories	2631 1011
Lek Yuen Branch	No 1, Fook Hoi House, Lek Yuen Estate, Sha Tin, New Territories	2605 3021
<b>Tai Po District</b>		
Tai Kwong Lane Branch	16-22 Tai Kwong Lane, Tai Po Market, New Territories	2652 2133
Tai Po Branch	68-70 Po Heung Street, Tai Po Market, New Territories	2657 2121
Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po, New Territories	2665 5890
On Chee Road Branch	Shop 10-11, Jade Plaza, 3 On Chee Road, Tai Po, New Territories	2665 1966
Fu Heng Estate Branch	Shop 1-2, Fu Heng Shopping Centre, Tai Po, New Territories	2661 6278
Fu Shin Estate Branch	Shop G11, Fu Shin Shopping Centre, Tai Po, New Territories	2663 2788
Kwong Fuk Road Branch	40-50 Kwong Fuk Road, Tai Po Market, New Territories	2658 2268

**Bank of China (Hong Kong) – Branch Network  
(continued)**

Branch	Address	Telephone
<b>Sai Kung District</b>		
Sai Kung Branch	7-11 Wan King Path, Sai Kung, New Territories	2792 1465
East Point City Branch	Shop 101, East Point City, Tsung Kwan O, New Territories	2628 7238
Hau Tak Estate Branch	Shop 7, Hau Tak Shopping Centre, Tsung Kwan O, New Territories	2703 5203
HKUST Branch	The Hong Kong University of Science & Technology, Clear Water Bay Road, New Territories	2358 2345
Tsung Kwan O Plaza Branch	Shop 112-125, Level 1, Tsung Kwan O Plaza, Tsung Kwan O, New Territories	2702 0282
Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tsung Kwan O, New Territories	2701 4962
<b>Tsuen Wan District</b>		
Tai Wo Hau Branch	5-9 Tai Ha Street, Tai Wo Hau, Tsuen Wan, New Territories	2429 0304
407 Castle Peak Road Branch	407-411 Castle Peak Road, Tsuen Wan, New Territories	2920 3211
Clague Garden Branch	Shop 1-3, Commercial Complex, Clague Garden Estate, 24 Hoi Shing Road, Tsuen Wan, New Territories	2412 2202
Tsuen Wan Branch	297-299 & 313 Sha Tsui Road, Tsuen Wan, New Territories	2411 1321
Castle Peak Road (Tsuen Wan) Wealth Management Centre	167 Castle Peak Road, Tsuen Wan, New Territories	2406 9932
Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan, New Territories	2416 6577
Tsuen Wan VIP Centre	31-33 Chung On Street, Tsuen Wan, New Territories	2406 8908
Sham Tseng Branch	Shop G1 & G2, Rhine Garden, Sham Tseng, New Territories	2491 0038
Fuk Loi Estate Branch	129-135 Sha Tsui Road, Tsuen Wan, New Territories	2499 0755
Texaco Road Branch	Shop A112, East Asia Gardens, 36 Texaco Road, Tsuen Wan, New Territories	2414 4287
<b>Kwai Tsing District</b>		
Ha Kwai Chung Branch	192-194 Hing Fong Road, Kwai Chung, New Territories	2424 9823
Sheung Kwai Chung Branch	7-11 Shek Yi Road, Sheung Kwai Chung, New Territories	2480 6161
Cheung Hong Estate Branch	201-202 Commercial Centre No 2, Cheung Hong Estate, Tsing Yi Island, New Territories	2497 7718
Cheung Fat Estate Branch	Shop 317, Cheung Fat Shopping Centre, Tsing Yi Island, New Territories	2433 1689
Cheung Hong Estate Commercial Centre Branch	2 G/F, Commercial Centre, Cheung Hong Estate, Tsing Yi Island, New Territories	2497 0325
Maritime Square Branch	Shop 115, Maritime Square, Tsing Yi Island, New Territories	2436 9298
Lei Muk Shue Branch	Shop 22, Lei Muk Shue Shopping Centre, Kwai Chung, New Territories	2428 5731
Metroplaza Branch	Shop 260-265, Metroplaza, 223 Hing Fong Road, Kwai Chung, New Territories	2420 2686
Kwai Cheong Road Branch	40 Kwai Cheong Road, Kwai Chung, New Territories	2480 3311
Kwai Chung Branch	432-436 Castle Peak Road, Kwai Chung, New Territories	2410 9133
Kwai Chung Road Branch	1009 Kwai Chung Road, Kwai Chung, New Territories	2424 3021
Kwai Chung Plaza Branch	A18-20, G/F, Kwai Chung Plaza, 7-11 Kwai Foo Road, Kwai Chung, New Territories	2920 2468
<b>Tuen Mun District</b>		
Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II, Tuen Mun, New Territories	2450 8877
Tuen Mun Wealth Management Centre	Shop 5, Level 1, North Wing, Trend Plaza, Tuen Mun, New Territories	2404 9777
Tuen Mun Fa Yuen Branch	Shop G & H, 6 Tsing Hoi Circuit, Tuen Mun, New Territories	2458 1033
Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun, New Territories	2457 3501
Siu Hong Court Branch	226 Commercial Centre, Siu Hong Court, Tuen Mun, New Territories	2466 6703
Leung King Estate Branch	Shop 211, Leung King Shopping Centre, Tuen Mun, New Territories	2463 3855
Kin Wing Street Branch	24-30 Kin Wing Street, Tuen Mun, New Territories	2465 2212
Venice Gardens Branch	Shop 13-15, G/F, Venice Gardens, Leung Tak Street, Tuen Mun, New Territories	2455 1288
Butterfly Estate Branch	Shop 123-130, Tip Ling House, Butterfly Estate, Tuen Mun, New Territories	2920 5188

Branch	Address	Telephone
<b>Yuen Long District</b>		
Tai Tong Road Branch	Shop A135, 1/F, Hop Yick Plaza, 23 Tai Tong Road, Yuen Long, New Territories	2479 2113
Yuen Long Branch	102-108 Castle Peak Road, Yuen Long, New Territories	2474 2211
Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long, New Territories	2476 2193
Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long, New Territories	2475 3777
Tin Shui Estate Branch	Shop 108-109, Tin Shui Shopping Centre, Tin Shui Wai, New Territories	2445 8728
Kau Yuk Road Branch	18-24 Kau Yuk Road, Yuen Long, New Territories	2473 2833
Kingswood Villas Branch	A189 Kingswood Richly Plaza, Tin Shui Wai, New Territories	2448 3313
Kingswood Ginza Branch	Shop G73, Phase 1 Kingswood Ginza, Tin Shui Wai, New Territories	2616 4233
<b>North District</b>		
Sheung Shui Branch	61 San Fung Avenue, Sheung Shui, New Territories	2671 0155
Sheung Shui VIP Centre	33 San Fung Avenue, Sheung Shui, New Territories	2639 9233
Sheung Shui Centre Branch	Shop 1007-1009, Level 1, Sheung Shui Centre, Sheung Shui, New Territories	2670 3131
Sha Tau Kok Branch	Block 16-18, Sha Tau Kok Chuen, Sha Tau Kok, New Territories	2674 4011
Flora Plaza Branch	Shop 28, Flora Plaza, 88 Pak Wo Road, Fanling, New Territories	2675 6683
Fanling Centre Branch	Shop 2D-E & H, Fanling Centre, Fanling, New Territories	2669 7899
Choi Yuen Estate Branch	Shop 4, F3 Level, Commercial Centre, Choi Yuen Estate, Sheung Shui, New Territories	2671 6783
136 San Fung Ave Branch	136 San Fung Avenue, Sheung Shui, New Territories	2670 6138
Luen Wo Market Branch	17-19 Wo Fung Street, Luen Wo Market, Fanling, New Territories	2675 5113
Luen Shing Street Branch	Shop B, 10-16 Luen Shing Street, Luen Wo Market, Fanling, New Territories	2675 6113
<b>Outlying Island District</b>		
Cheung Chau Branch	53-55 Tai Sun Street, Cheung Chau, New Territories	2981 0021
Hong Kong International Airport Branch	Unit 7T075, Passenger Terminal Building, Hong Kong International Airport	2326 1883

**Mainland Branches**

Branch	Address	Telephone
Shenzhen Branch	G/F, The Kwangtung Provincial Bank Building, 1013 Ren Min Nan Road, Shenzhen, China	(86-755) 8233 0230
Shenzhen Baoan Sub-Branch	Unit 108 Xushida Garden, Xin An Si Road, Baoan District 34-2, Shenzhen, China	(86-755) 2785 3302
Shenzhen Futian Sub-Branch	1/F, Shen Ye Garden Club House, Caitian Road, Futian District, Shenzhen, China	(86-755) 8294 2929
Shantou Branch	G/F, 3 Yingbin Road, Shantou, China	(86-754) 826 8266
Shanghai Branch	Room A103-A107, Tomorrow Square, 389 Nanjing West Road, Shanghai, China	(86-21) 2306 9090
Qingdao Branch	G/F, 6 Yun Xiao Road, Qingdao, China	(86-532) 8573 2828

**Network & Corporate Banking Centres**

Network & Centres	Address	Telephone
Corporate Business	10/F, Bank of China Tower, 1 Garden Road, Hong Kong	2826 6889
Corporate Finance	10/F, Bank of China Tower, 1 Garden Road, Hong Kong	2826 6491
Commercial Business I	9/F, Bank of China Tower, 1 Garden Road, Hong Kong	2826 6409
Commercial Business II	9/F, Bank of China Tower, 1 Garden Road, Hong Kong	3419 3555
Commercial Business III	Unit 701-706, The Gateway Tower 3 (Prudential Tower), 21 Canton Road, Tsim Sha Tsui, Kowloon	2247 8888
Financial Institutions	33/F, Bank of China Tower, 1 Garden Road, Hong Kong	2903 6666
Hong Kong Central and West Commercial Centre	24/F, Bank of China Tower, 1 Garden Road, Hong Kong	2846 2682
Hong Kong Central and West SME Centre		
Hong Kong East Commercial Centre	3/F, Eastern Commercial Centre, 393-407 Hennessy Road, Wan Chai, Hong Kong	2833 8790
Hong Kong East SME Centre		
Kowloon East Commercial Centre	Room 607-610, 6/F, Telford House, 16 Wang Hoi Road, Kowloon Bay, Kowloon	3406 7300
Kowloon East SME Centre		
San Po Kong Commercial Centre	Room 601, 6/F, Stelux House, 698 Prince Edward Road East, San Po Kong, Kowloon	2263 4900
San Po Kong SME Centre		
Hung Hom Commercial Centre	Room 507, 5/F, Tower A, Hung Hom Commercial Centre, 37-39 Ma Tau Wai Road, Kowloon	2197 0188
Hung Hom SME Centre		
Kowloon West Commercial Centre	9/F, Kwangtung Provincial Bank Building, 589 Nathan Road, Mong Kok, Kowloon	3412 1688
Kowloon West SME Centre		

## BRANCH NETWORK & CORPORATE BANKING CENTRES

### Network & Corporate Banking Centres (continued)

Network & Centres	Address	Telephone
Tsim Sha Tsui Commercial Centre Tsim Sha Tsui SME Centre	Shop UG 01, Inter-Continental Plaza, 94 Granville Road, Tsimshatsui, Kowloon	2301 9788
New Territories East Commercial Centre New Territories East SME Centre	3/F, 68-70 Po Heung Street, Tai Po Market, Tai Po, New Territories	2654 3222
Fo Tan Commercial Centre Fo Tan SME Centre	Room 1408-1411, 1415-1416 and 1419, 14/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, New Territories	2687 5665
New Territories West Commercial Centre New Territories West SME Centre	Room 1720-1724 and 1716B-1719, Nan Fung Centre, 264-298 Castle Peak Road, Tsuen Wan, New Territories	3412 7044
Yuen Long Commercial Centre Yuen Long SME Centre	4/F, The Kwangtung Provincial Bank Building, 102-108 Castle Peak Road, Yuen Long, New Territories	2442 8788
Causeway Bay Commercial Services Centre	2/F, 18 Percival Street, Causeway Bay, Hong Kong	2892 7032
Cheung Sha Wan Commercial Services Centre	Unit 1, Kowloon Plaza, 485 Castle Peak Road, Kowloon	2310 5923
Shun Tak Centre Commercial Services Centre	Shop 225, 2/F, Shun Tak Centre, 200 Connaught Road Central, Sheung Wan, Hong Kong	2108 9662
Trade Product	5/F, Bank of China Centre, Olympian City, 11 Hoi Fai Road, West Kowloon	3198 3544
Trade Services Centre	6/F-10/F, Bank of China Centre, Olympian City, 11 Hoi Fai Road, West Kowloon	3198 3388

### Nanyang Commercial Bank – Branch Network

Branch	Address	Telephone
Head Office	151 Des Voeux Road, Central, Hong Kong	2852 0888
<b>Hong Kong Island</b>		
Western Branch	128 Bonham Strand East, Sheung Wan, Hong Kong	2851 1100
Causeway Bay Branch	472 Hennessy Road, Causeway Bay, Hong Kong	2832 9888
Happy Valley Branch	29 Wong Nei Chung Road, Happy Valley, Hong Kong	2893 3383
Kennedy Town Branch	86 Belcher's Street, Kennedy Town, Hong Kong	2817 1946
Quarry Bay Branch	1014 King's Road, Quarry Bay, Hong Kong	2563 2286
Des Voeux Road West Branch	334 Des Voeux Road West, Hong Kong	2540 4532
Aberdeen Branch	171 Aberdeen Main Road, Aberdeen, Hong Kong	2553 4115
North Point Branch	351 King's Road, North Point, Hong Kong	2566 8116
Sheung Wan Branch	21 Connaught Road West, Sheung Wan, Hong Kong	2559 0888
Sai Wan Ho Branch	63 Shaukeiwan Road, Sai Wan Ho, Hong Kong	2567 0315
Wanchai Branch	123 Johnston Road, Wanchai, Hong Kong	2574 8118
Causeway Centre Branch	Shop 16, Causeway Centre, 28 Harbour Road, Wanchai, Hong Kong	2827 6338
Central District Branch	56-58 Wellington Street, Central, Hong Kong	2522 5011
Sunning Road Branch	8 Sunning Road, Causeway Bay, Hong Kong	2882 7668
<b>Kowloon</b>		
Mongkok Branch	727 Nathan Road, Mongkok, Kowloon	2394 8206
Yaumati Branch	309 Nathan Road, Yaumati, Kowloon	2782 9888
Ferry Point Branch	Shops D-F, G/F, Best-O-Best Commercial Centre, 32-36 Ferry Street, Yaumati, Kowloon	2332 0738
Homantin Branch	71A Waterloo Road, Homantin, Kowloon	2715 7518
Nathan Road Branch	570 Nathan Road, Mongkok, Kowloon	2780 0166
Laichikok Road Branch	236 Laichikok Road, Shamshuipo, Kowloon	2396 4164
Jordan Road Branch	20 Jordan Road, Yaumati, Kowloon	2735 3301
Tokwawan Branch	62 Tokwawan Road, Kowloon	2764 6666
Kwun Tong Branch	410 Kwun Tong Road, Kowloon	2389 6266
Tsimshatsui Branch	Shop A, 1/F, Hong Kong Pacific Centre, 28 Hankow Road, Tsimshatsui, Kowloon	2376 3988
Hungghom Branch	69A Wuhu Street, Hungghom, Kowloon	2362 2301
Shamshuipo Branch	198-200 Tai Po Road, Shamshuipo, Kowloon	2777 0147
Yee On Street Branch	Shops 4-6, G/F, Yee On Centre, 45 Hong Ning Road, Kowloon	2790 6688
Peninsula Centre Branch	Shop G48 Peninsula Centre 67, Mody Road, Tsim Sha Tsui, Kowloon	2722 0823
San Po Kong Branch	41-45, Yin Hing Street, San Po Kong, Kowloon	2328 5555
Kowloon City Branch	86 Nga Tsin Wai Road, Kowloon City, Kowloon	2716 6033
Laguna City Branch	Shop No. 26, Phase 1 Laguna City, Cha Kwo Ling Road, Kowloon	2772 3336
<b>New Territories</b>		
Kwai Chung Branch	100 Lei Muk Road, Kwai Chung, New Territories	2480 1118
Tai Po Branch	Shop No. 11, G/F, Treasure Garden, 1 On Chee Road, Tai Po, New Territories	2656 5201
Yuen Long Branch	G/F, Tung Yik Building Tai Tong Road, Yuen Long, New Territories	2479 0231
Ha Kwai Chung Branch	180 Hing Fong Road, Kwai Chung, New Territories	2429 4242
Tsuen Wan Branch	78 Chung On Street, Tsuen Wan, New Territories	2492 0243
Sheung Shui Branch	31 Fu Hing Street, Sheung Shui, New Territories	2679 4333
Tuen Mun Branch	Forward Mansion, Yan Ching Circuit, Tuen Mun, New Territories	2459 8181
Shatin Branch	Shop 7-8, Lucky Plaza, Shatin, New Territories	2605 9188
Fou Wah Centre Branch	Shop A, 2/F, Fou Wah Centre, 210 Castle Peak Road, Tsuen Wan, New Territories	2498 4411
Sai Kung Branch	Shop 11-12 Sai Kung Garden, Man Nin Street, New Territories	2791 1122
Cheung Sha Wan Commercial Banking Centre	Unit 1005, Tower II, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Kowloon	2785 6182
<b>Overseas</b>		
San Francisco Branch	31/F, 50 California Street, San Francisco, CA94111, USA	(1-415) 398 8866

### Nanyang Commercial Bank (China) – Branch Network

Branch	Address	Telephone
<b>The Mainland of China</b>		
Head Office	1A/F-2A/F, Block F, Hi-tech King World, 666-668 Beijing Rd E., Shanghai, China	(86-21) 5308 8888
Shenzhen Branch	Nanyang Mansion, 2002 Jian She Road, Luohu District, Shenzhen, China	(86-755) 2515 6333
Shenzhen Shekou Sub-Branch	G/F, Finance Centre, Taizi Road, Shekou, Shenzhen, China	(86-755) 2682 8788
Haikou Branch	Room 702-703, Haikou Nanyang Building, 81 Bin Hai Avenue, Haikou, Hainan Province, China	(86-898) 6851 2538
Guangzhou Branch	Room 402, Skygalleria CITIC Plaza, 233 Tianhe North Road, Guangzhou, China	(86-20) 3891 2668
Dalian Branch	1/F, Li Yuan Mansion, 16-18 Mingze Street, Zhongshan District, Dalian, Liaoning Province, China	(86-411) 8282 3636
Beijing Branch	No. 88, Jian Guo Men Wai Da Jie, Chaoyang District, Beijing, China	(86-10) 6568 4728
Shanghai Branch	Room B201-B202, Tomorrow Square, 389 Nanjing West Road, Shanghai, China	(86-21) 2306 9033

### Chiyu Banking Corporation – Branch Network

Branch	Address	Telephone
Head Office	78 Des Voeux Road Central, Hong Kong	2843 0111
<b>Hong Kong Island</b>		
North Point Branch	390-394 King's Road, North Point, Hong Kong	2570 6381
Wanchai Branch	325 Hennessy Road, Wanchai, Hong Kong	2572 2823
Sheung Wan Branch	22-24 Bonham Strand West, Hong Kong	2544 1678
Western Branch	443 Queen's Road West, Hong Kong	2548 2298
Quarry Bay Branch	967-967A, King's Road, Quarry Bay, Hong Kong	2811 3131
<b>Kowloon</b>		
Hung Hom Branch	23-25 Gillies Avenue, Hung Hom, Kowloon	2362 0051
Kwun Tong Branch	42-44 Mut Wah Street, Kwun Tong, Kowloon	2343 4174
Sham Shui Po Branch	235-237 Laichikok Road, Kowloon	2789 8668
San Po Kong Branch	61-63 Hong Keung Street, San Po Kong, Kowloon	2328 5691
Yau Ma Tei Branch	117-119 Shanghai Street, Yaumatei, Kowloon	2332 2533
Castle Peak Road Branch	226-228 Castle Peak Road, Kowloon	2720 5187
Kowloon Bay Branch	Shop No. 10 G/F, Kai Lok House, Kai Yip Estate, Kowloon Bay, Kowloon	2796 8968
Tokwawan Branch	G/F, Shop No. 11-13, 78 Tokwawan Road, Kowloon	2765 6118
Tsz Wan Shan Branch	Shop 703A, 7/F, Tsz Wan Shan Shopping Centre, 23 Yuk Wah Street, Tsz Wan Shan, Kowloon	2322 3313
<b>New Territories</b>		
Tuen Mun Yau Oi Estate Branch	Shop No. 103-104, G/F, Restaurant Block, Yau Oi Estate, Tuen Mun, New Territories	2452 3666
Kwai Hing Estate Branch	Shop No. 1, G/F, Hing Yat House, Kwai Hing Estate, Kwai Chung, New Territories	2487 3332
Tai Po Tai Wo Estate Branch	Shop No. 112-114, G/F, On Wo House, Tai Wo Estate, Tai Po, New Territories	2656 3386
Belvedere Garden Branch	Shop No. 5A, G/F, Belvedere Square, Tsuen Wan, New Territories	2411 6789
Tsuen Wan Branch	Shop No. 1 & 1d, Level 2, Discovery Park Commercial Centre, Tsuen Wan, New Territories	2413 8111
Shatin Sui Wo Court Branch	Shop No. F7, Commercial Centre, Sui Wo Court, Shatin, New Territories	2601 5888
Ma On Shan Branch	Shop 313, Level 3, Ma On Shan Plaza, Bayshore Tower, Ma On Shan, New Territories	2640 0733
Sheung Tak Estate Branch	Shop No. 238, Sheung Tak Shopping Centre, Sheung Tak Estate, Tseung Kwan O, New Territories	2178 2278
<b>The Mainland of China</b>		
Xiamen Branch	1/F, 859 Xiahe Road, Xiamen, Fujian Province, China	(86-592) 5851 691
Fuzhou Branch	1/F, International Building, 210 Wusi Road, Fuzhou Fujian Province, China	(86-591) 8781 0078

**Be environmentally friendly for our better future**

As a good corporate citizen, we do not use lamination and spot UV as normally adopted by the industry in our annual report 2007. Instead, we use varnishing, an environmentally friendly technique. The whole report is also printed on recyclable and elemental chlorine free paper. This demonstrates our efforts in working for the betterment of our future generations.



52/F Bank of China Tower, 1 Garden Road, Hong Kong  
Website: [www.bochk.com](http://www.bochk.com)



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