

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

Basis of preparation

The unaudited interim report has been prepared in accordance with HKAS 34 “Interim Financial Reporting” issued by the HKICPA and also complies with the requirements set out in the Banking (Disclosure) Rules and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

Accounting policies

The accounting policies and methods of computation used in the preparation of the unaudited interim report are consistent with those used in the Group’s financial statements for the year ended 31 December 2006 and should be read in conjunction with the Group’s Annual Report for 2006.

2. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that are consistent with those used in the Group’s financial statements for the year ended 31 December 2006.

3. Financial risk management

This note presents financial information about the Group's exposure to the use of financial instruments. For further details of the control of risk, please refer to the section "Risk Management" in the Management's Discussion and Analysis on pages 34 to 38.

(A) Currency risk

Tables below summarise the Group's exposure to foreign currency exchange rate risk as at 30 June 2007 and 31 December 2006. Included in the tables are the Group's assets and liabilities at carrying amounts in HK\$ equivalent, categorised by the original currency.

	At 30 June 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
Assets								
Cash and balances with banks and other financial institutions	28,629	33,269	58,077	847	734	325	887	122,768
Placements with banks and other financial institutions maturing between one and twelve months	283	4,707	55,709	8	–	79	18	60,804
Financial assets at fair value through profit or loss	–	7,999	19,261	–	–	–	616	27,876
Derivative financial instruments	–	232	9,874	–	–	–	–	10,106
Hong Kong SAR Government certificates of indebtedness	–	–	34,100	–	–	–	–	34,100
Advances and other accounts	6,499	62,346	320,383	3,729	1,526	1,398	3,710	399,591
Available-for-sale securities	–	65,415	22,155	4,503	–	2,082	6,587	100,742
Held-to-maturity securities	–	95,163	52,706	2,856	–	1,698	16,882	169,305
Loans and receivables	–	1,522	29,486	–	–	–	631	31,639
Interests in associates	–	–	56	–	–	–	–	56
Investment properties	–	–	7,636	–	–	–	–	7,636
Properties, plant and equipment	67	1	20,931	–	–	–	–	20,999
Other assets (including deferred tax assets)	80	491	60,201	195	86	50	370	61,473
Total assets	35,558	271,145	690,575	12,138	2,346	5,632	29,701	1,047,095
Liabilities								
Hong Kong SAR currency notes in circulation	–	–	34,100	–	–	–	–	34,100
Deposits and balances of banks and other financial institutions	20,485	15,001	9,297	202	547	191	995	46,718
Financial liabilities at fair value through profit or loss	–	3,754	14,450	–	–	–	–	18,204
Derivative financial instruments	–	429	5,721	–	–	–	–	6,150
Deposits from customers	13,384	149,601	590,430	6,412	4,563	12,148	27,376	803,914
Debt securities in issue at amortised cost	–	48	235	–	–	–	–	283
Other accounts and provisions (including current and deferred tax liabilities)	522	7,742	22,032	354	222	209	385	31,466
Insurance contract liabilities	–	2,705	13,730	–	–	–	–	16,435
Total liabilities	34,391	179,280	689,995	6,968	5,332	12,548	28,756	957,270
Net on-balance sheet position	1,167	91,865	580	5,170	(2,986)	(6,916)	945	89,825
Off-balance sheet net notional position*	335	(86,049)	85,616	(4,851)	2,936	6,965	(1,011)	3,941
Contingent liabilities and commitments	3,627	45,204	144,840	3,930	892	165	1,458	200,116

* 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.

3. Financial risk management (continued)
(A) Currency risk (continued)

	At 31 December 2006							
	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
Assets								
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
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
Total assets	29,868	262,483	586,567	12,733	2,480	6,120	28,702	928,953
Liabilities								
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
Total liabilities	28,643	175,778	579,412	7,279	4,155	12,157	34,889	842,313
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

3. Financial risk management (continued)

(B) Liquidity risk

Tables below analyse assets and liabilities of the Group as at 30 June 2007 and 31 December 2006 into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

	At 30 June 2007							
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Assets								
Cash and balances with banks and other financial institutions	39,528	83,240	-	-	-	-	-	122,768
Placements with banks and other financial institutions maturing between one and twelve months	-	-	45,663	15,141	-	-	-	60,804
Financial assets at fair value through profit or loss								
– debt securities								
– certificates of deposit held	-	-	39	458	561	1,367	-	2,425
– others	-	1,717	2,865	2,183	5,560	10,172	1,980	24,477
– equity securities	-	-	-	-	-	-	974	974
Derivative financial instruments	8,944	328	88	300	296	150	-	10,106
Hong Kong SAR Government certificates of indebtedness	34,100	-	-	-	-	-	-	34,100
Advances and other accounts								
– advances to customers	40,473	12,151	22,669	40,785	146,431	127,774	1,392	391,675
– trade bills	145	2,334	1,626	192	-	-	-	4,297
– advances to banks and other financial institutions	5	181	212	982	2,239	-	-	3,619
Available-for-sale securities								
– debt securities								
– certificates of deposit held	-	177	274	1,924	4,977	-	-	7,352
– others	-	1,156	4,777	6,451	31,531	49,399	-	93,314
– equity securities	-	-	-	-	-	-	76	76
Held-to-maturity securities								
– debt securities								
– certificates of deposit held	-	980	671	2,755	5,157	609	-	10,172
– others	-	2,917	8,327	37,494	71,455	38,940	-	159,133
Loans and receivables	-	1,378	5,775	24,486	-	-	-	31,639
Interests in associates	-	-	-	-	-	-	56	56
Investment properties	-	-	-	-	-	-	7,636	7,636
Properties, plant and equipment	-	-	-	-	-	-	20,999	20,999
Other assets (including deferred tax assets)	6,055	54,123	35	299	82	-	879	61,473
Total assets	129,250	160,682	93,021	133,450	268,289	228,411	33,992	1,047,095

3. Financial risk management (continued)
(B) Liquidity risk (continued)

	At 30 June 2007							
	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	Undated HK\$'m	Total HK\$'m
Liabilities								
Hong Kong SAR currency notes in circulation	34,100	-	-	-	-	-	-	34,100
Deposits and balances of banks and other financial institutions	24,996	17,779	1,149	2,794	-	-	-	46,718
Financial liabilities at fair value through profit or loss	-	2,522	6,086	6,173	2,915	508	-	18,204
Derivative financial instruments	4,882	414	109	184	545	16	-	6,150
Deposits from customers	370,662	314,635	83,329	31,788	3,500	-	-	803,914
Debt securities in issue at amortised cost	-	-	-	283	-	-	-	283
Other accounts and provisions (including current and deferred tax liabilities)	14,181	10,174	244	2,443	3,680	-	744	31,466
Insurance contract liabilities	-	-	-	-	-	-	16,435	16,435
Total liabilities	448,821	345,524	90,917	43,665	10,640	524	17,179	957,270
Net liquidity gap	(319,571)	(184,842)	2,104	89,785	257,649	227,887	16,813	89,825

3. Financial risk management (continued)
(B) Liquidity risk (continued)

	At 31 December 2006							
	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Undated	Total
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Assets								
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								
– certificates of deposit held	-	10	104	279	875	1,454	-	2,722
– others	-	1,331	2,345	3,717	5,462	11,719	675	25,249
– equity securities	-	-	-	-	-	-	323	323
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
Available-for-sale securities								
– debt securities								
– certificates of deposit held	-	157	-	2,512	5,479	-	-	8,148
– others	-	1,735	5,643	4,101	30,893	49,819	-	92,191
– equity securities	-	-	-	-	-	-	50	50
Held-to-maturity securities								
– debt securities								
– 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
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)	4,185	9,773	2	247	131	163	176	14,677
Total assets	104,699	105,349	94,343	119,614	264,336	210,511	30,101	928,953

3. Financial risk management (continued)
(B) Liquidity risk (continued)

	At 31 December 2006							
	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	Undated HK\$'m	Total HK\$'m
Liabilities								
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	-	1,922	1,810	5,957	5,136	302	-	15,127
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	-	-	-	-	-	-	14,239	14,239
Total liabilities	362,264	340,389	81,662	32,264	10,639	412	14,683	842,313
Net liquidity gap	(257,565)	(235,040)	12,681	87,350	253,697	210,099	15,418	86,640

The above maturity classifications have been prepared in accordance with relevant provisions under 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 "Undated". 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 Banking (Disclosure) Rules. The disclosure does not imply that the securities will be held to maturity.

4. Net interest income

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income		
Cash and due from banks and other financial institutions	3,229	3,607
Advances to customers	9,940	9,156
Listed investments	1,239	1,344
Unlisted investments	6,675	5,078
Others	401	218
	21,484	19,403
Interest expense		
Due to banks, customers and other financial institutions	(12,098)	(11,365)
Debt securities in issue	(49)	(60)
Others	(434)	(475)
	(12,581)	(11,900)
Net interest income	8,903	7,503

Included within interest income is HK\$14 million (first half of 2006: HK\$51 million) of interest with respect to income recognised on advances classified as impaired for the first half of 2007.

Included within interest income and interest expense are HK\$20,882 million (first half of 2006: HK\$19,003 million) and HK\$12,192 million (first half of 2006: HK\$11,617 million) for financial assets and financial liabilities that are not at fair value through profit or loss respectively.

Interest expense on short positions in Exchange Fund Bills and callable interest rate swaps of HK\$62 million and HK\$8 million respectively were reclassified from "Net gain from interest rate instruments" included as "Net trading income" to "Others" under interest expense for the first half of 2006.

5. Net fees and commission income

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Fees and commission income		
Securities brokerage		
– Stockbroking	1,324	644
– Bonds	65	29
Credit cards	471	375
Asset management	342	167
Bills commissions	273	259
Payment services	221	200
Loan commissions	129	116
Insurance	85	72
Trust services	66	54
Guarantees	24	25
Others		
– safe deposit box	99	94
– currency exchange	73	51
– RMB business	54	36
– information search	23	22
– low deposit balance accounts	17	22
– correspondent banking	17	15
– BOC cards	14	15
– postage and telegrams	12	14
– dormant accounts	11	12
– agency services	8	8
– sundries	111	122
	3,439	2,352
Fees and commission expenses	(807)	(591)
Net fees and commission income	2,632	1,761
Of which arise from		
– financial assets or financial liabilities not at fair value through profit or loss		
– Fees and commission income	158	150
– Fees and commission expenses	(36)	(64)
	122	86
– trust and other fiduciary activities		
– Fees and commission income	66	54

6. Net trading income

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Net gain from:		
– foreign exchange and foreign exchange products	155	737
– interest rate instruments	192	302
– equity instruments	70	15
– commodities	–	58
	417	1,112

Comparatives for the first half of 2006 have been reclassified as a result of excluding gains and losses related to financial instruments at fair value through profit or loss other than those held for trading, which are shown as net loss on financial instruments designated at fair value through profit or loss in Note 7 on page 53.

7. Net loss on financial instruments designated at fair value through profit or loss

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Net loss on financial assets at fair value which back insurance policies and investment contracts	389	415
Net change in fair value of other financial instruments at fair value through profit or loss	5	21
	394	436

8. Net gain/(loss) on investments in securities

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Net gain/(loss) from early redemption of held-to-maturity securities	1	(1)
Net gain/(loss) from disposal of available-for-sale securities	1	(7)
	2	(8)

9. Net insurance premium income

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Gross earned premiums	2,936	3,478
Less: Gross written premiums ceded to reinsurers	(3)	(2)
Net insurance premium income	2,933	3,476

10. Other operating income

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Dividend income from investments in securities – unlisted investments	9	15
Gross rental income from investment properties	123	97
Less: Outgoings in respect of investment properties	(22)	(28)
Reversal of impairment losses on interests in associates	1	–
Net gain on disposal of subsidiaries	1	–
Others	87	85
	199	169

Included in the “Outgoings in respect of investment properties” is HK\$2 million (first half of 2006: HK\$7 million) of direct operating expenses related to investment properties that were not let during the period.

11. Net insurance benefits and claims

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Claims, benefits and surrenders paid	440	193
Movement in liabilities	2,193	2,868
Gross claims, benefits and surrenders paid and movement in liabilities	2,633	3,061
Less: Reinsurers' share of claims, benefits and surrenders paid	(1)	(1)
Net insurance claims, benefits and surrenders paid and movement in liabilities	2,632	3,060

12. Reversal of loan impairment allowances

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Net reversal of loan impairment allowances		
– Individually assessed	343	409
– Collectively assessed	(177)	233
	166	642
Of which		
– new allowances	(298)	(368)
– releases	109	318
– recoveries	355	692
Net credit to income statement	166	642

13. Operating expenses

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Staff costs (including directors' emoluments)		
– salaries and other costs	1,957	1,682
– termination benefit	6	7
– pension cost	146	134
	2,109	1,823
Premises and equipment expenses (excluding depreciation)		
– rental of premises	168	149
– information technology	143	124
– others	106	101
	417	374
Depreciation	373	323
Auditors' remuneration		
– audit services	4	4
– non-audit services	1	5
Other operating expenses	514	442
	3,418	2,971

14. Net gain from disposal of/fair value adjustments on investment properties

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Net gain on disposal of investment properties	2	17
Net gain on fair value adjustments on investment properties (Note 26)	414	477
	416	494

15. Net gain/(loss) from disposal/revaluation of properties, plant and equipment

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Net gain on disposal of premises	–	4
Net loss on disposal of other fixed assets	(2)	(5)
Net gain/(loss) on revaluation of premises	7	(4)
Impairment losses on other fixed assets	–	(4)
	5	(9)

16. Taxation

Taxation in the income statement represents:

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Hong Kong profits tax		
– current period taxation	1,508	1,275
– under-provision in prior years	–	3
Deferred tax charge	44	138
Hong Kong profits tax	1,552	1,416
Overseas taxation	47	28
	1,599	1,444

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profits arising in Hong Kong for the first half of 2007. Taxation on overseas profits has been calculated on the estimated assessable profits for the first half of 2007 at the rates of taxation prevailing in the countries in which the Group operates.

16. Taxation (continued)

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

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Profit before taxation	9,227	8,673
Calculated at a taxation rate of 17.5% (2006: 17.5%)	1,615	1,518
Effect of different taxation rates in other countries	(11)	(4)
Income not subject to taxation	(52)	(177)
Expenses not deductible for taxation purposes	54	103
Tax losses not recognised	–	1
Utilisation of previously unrecognised tax losses	(7)	–
Under-provision in prior years	–	3
Taxation charge	1,599	1,444
Effective tax rate	17.3%	16.6%

17. Dividends

	Half-year ended 30 June 2007		Half-year ended 30 June 2006	
	Per share HK\$	Total HK\$'m	Per share HK\$	Total HK\$'m
Interim dividend	0.428	4,525	0.401	4,240

At a meeting held on 23 August 2007, the Board declared an interim dividend of HK\$0.428 per ordinary share for the first half of 2007 amounting to approximately HK\$4,525 million. This declared dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

18. 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 first half of 2007 of approximately HK\$7,466 million (first half of 2006: HK\$7,093 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 first half of 2007 (first half of 2006: Nil).

19. Retirement benefit costs

The principal defined contribution schemes for the Group's employees are ORSO schemes exempted under the MPF Schemes Ordinance and the BOC-Prudential Easy Choice MPF Scheme. Under the ORSO schemes, employees make monthly contributions to the ORSO schemes equal to 5% of their basic salaries, while the employer makes monthly contributions equal to 5% to 15% of the employees' monthly basic salaries, depending on years of service. The employees are entitled to receive 100% of the employer's contributions upon termination of employment after completing 20 years of service, or at a scale ranging from 20% to 95% for employees who have completed between 3 to 20 years of service, on conditions of retirement, early retirement, permanent incapacity and ill-health or termination of employment other than summary dismissal.

With the implementation of the MPF Schemes Ordinance on 1 December 2000, the Group also participates in the BOC-Prudential Easy Choice MPF Scheme, of which the trustee is BOCI-Prudential Trustee and the investment manager is BOCI-Prudential Manager, which are related parties of the Company.

The Group's total contributions made to the ORSO schemes for the first half of 2007 amounted to approximately HK\$129 million (first half of 2006: approximately HK\$119 million), after a deduction of forfeited contributions of approximately HK\$7 million (first half of 2006: approximately HK\$9 million). For the MPF Scheme, the Group contributed approximately HK\$13 million and HK\$10 million for the first half of 2007 and 2006 respectively.

20. Share option schemes

(a) *Share Option Scheme and Sharesave Plan*

The principal terms of the Share Option Scheme and the Sharesave Plan were approved and adopted by written resolutions of all the shareholders of the Company dated 10 July 2002.

The purpose of the Share Option Scheme is to provide the participants with the opportunity to acquire proprietary interests in the Company. The Board may, in its absolute discretion, offer to grant options under the Share Option Scheme to any person as the Board may select. The subscription price for the shares shall be determined on the date of grant by the Board as an amount per share calculated on the basis of established rules. An option may be exercised in whole or in part at any time after the date prescribed by the Board and from time to time as specified in the offer and on or before the termination date prescribed by the Board.

The purpose of the Sharesave Plan is to encourage broad-based employee ownership of the shares of the Company. The amount of the monthly contribution under the savings contract to be made in connection with an option shall be the amount which the relevant eligible employee is willing to contribute, which amount shall not be less than 1% and not more than 10% of the eligible employee's monthly salary as at the date of application or such other maximum or minimum amounts as permitted by the Board. When an option is exercised during an exercise period, it may be exercised in whole or in part.

No options were granted pursuant to the Share Option Scheme or the Sharesave Plan during the first half of 2007 (first half of 2006: Nil).

20. Share option schemes (continued)

(b) Pre-Listing Share Option Scheme

On 5 July 2002, several directors together with approximately 60 senior management personnel of the Group and employees of BOC 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) an aggregate of 31,132,600 existing issued shares of the Company. The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to all options granted to employees on or before 7 November 2002.

Details of the share options outstanding as at 30 June 2007 are disclosed as follows:

	Directors	Senior management	Others*	Total number of share options	Average exercise price (HK\$ per share)
At 1 January 2007	8,459,100	3,980,450	1,446,000	13,885,550	8.5
Transfer	(1,446,000)	–	1,446,000	–	8.5
Less: Share options exercised during the period	–	(1,295,050)	(361,500)	(1,656,550)	8.5
At 30 June 2007	7,013,100	2,685,400	2,530,500	12,229,000	8.5
Exercisable at 30 June 2007	7,013,100	2,685,400	2,530,500	12,229,000	8.5
At 1 January 2006	8,459,100	8,302,650	1,446,000	18,207,750	8.5
Less: Share options exercised during the year	–	(4,278,700)	–	(4,278,700)	8.5
Less: Share options lapsed during the year	–	(43,500)	–	(43,500)	8.5
At 31 December 2006	8,459,100	3,980,450	1,446,000	13,885,550	8.5
Exercisable at 31 December 2006	8,459,100	3,980,450	1,446,000	13,885,550	8.5

* Represented share options held by ex-directors of the Group.

Share options were exercised on a regular basis throughout the period, the weighted average share price during the period was HK\$19.10 (31 December 2006: HK\$16.50).

The options granted under this scheme can be exercised at HK\$8.50 per share in respect of the option price of HK\$1.00. These options have a vesting period of four years (25% of the number of shares subject to such options will vest at the end of each year) from the date on which dealings in the shares commenced on the Stock Exchange with a valid exercise period of ten years. No offer to grant any options under the Pre-Listing Share Option Scheme will be made on or after the date on which dealings in the shares commenced on the Stock Exchange.

21. Cash and balances with banks and other financial institutions

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Cash	3,153	2,981
Balances with central banks	28,078	23,745
Balances with banks and other financial institutions	8,297	4,247
Placements with banks and other financial institutions maturing within one month	83,240	74,263
	122,768	105,236

22. Financial assets at fair value through profit or loss

	Trading securities		Financial assets designated at fair value through profit or loss		Total	
	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
At fair value						
Debt securities						
– Listed in Hong Kong	90	262	638	908	728	1,170
– Listed outside Hong Kong	1,182	3,683	2,508	2,185	3,690	5,868
	1,272	3,945	3,146	3,093	4,418	7,038
– Unlisted	6,182	6,409	16,302	14,524	22,484	20,933
	7,454	10,354	19,448	17,617	26,902	27,971
Equity securities						
– Listed in Hong Kong	57	19	845	262	902	281
– Unlisted	72	42	–	–	72	42
	129	61	845	262	974	323
Total	7,583	10,415	20,293	17,879	27,876	28,294

22. Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss are analysed by type of issuer as follows:

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Sovereigns	4,568	4,073
Public sector entities	1,440	1,958
Banks and other financial institutions	18,996	20,020
Corporate entities	2,872	2,243
	27,876	28,294

Financial assets at fair value through profit or loss are analysed as follows:

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Treasury bills	4,275	3,616
Certificates of deposit held	2,425	2,722
Other financial assets at fair value through profit or loss	21,176	21,956
	27,876	28,294

23. Derivative financial instruments

The Group enters into the following equity, foreign exchange, interest rate and precious metal related derivative financial instruments for trading and risk management purposes:

Currency forwards represent commitments to purchase and sell foreign currency on a future date. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates or buy or sell interest rate financial instruments on a future date at an agreed price in the financial market under the administration of the stock exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency, interest rate and precious metal swaps are commitments to exchange one set of cash flows or commodity for another. Swaps result in an exchange of currencies, interest rates (for example, fixed rate for floating rate), or precious metals (for example, silver swaps) or a combination of all these (i.e. cross-currency interest rate swaps). Except for certain currency swap contracts, no exchange of principal takes place.

23. Derivative financial instruments (continued)

Foreign currency, interest rate, equity and precious metal options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of the financial instrument at a predetermined price. In consideration for the assumption of foreign exchange and interest rate risk, the seller receives a premium from the purchaser. Options are negotiated over-the-counter ("OTC") between the Group and its counterparty or traded through the stock exchange (for example, exchange-traded stock option).

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with fair value instruments recognised on the consolidated balance sheet. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or equity and metal prices relative to their terms. The aggregate fair values of derivative financial instruments assets and liabilities can fluctuate significantly from time to time.

The following is a summary of the contract/notional amounts of each significant type of derivative financial instrument:

	At 30 June 2007			At 31 December 2006		
	Trading HK\$'m	Hedging HK\$'m	Total HK\$'m	Trading HK\$'m	Hedging HK\$'m	Total HK\$'m
Exchange rate contracts						
Spot and forward	226,124	–	226,124	143,859	–	143,859
Swaps	177,825	–	177,825	170,591	–	170,591
Foreign currency option contracts						
– Options purchased	5,122	–	5,122	1,479	–	1,479
– Options written	3,587	–	3,587	3,102	–	3,102
	412,658	–	412,658	319,031	–	319,031
Interest rate contracts						
Futures	572	–	572	89	–	89
Swaps	40,754	313	41,067	33,362	544	33,906
Interest rate option contracts						
– Swaptions written	–	–	–	31	–	31
Other contracts						
– Bond options written	782	–	782	311	–	311
	42,108	313	42,421	33,793	544	34,337
Bullion contracts	8,708	–	8,708	7,330	–	7,330
Equity contracts	1,324	–	1,324	954	–	954
Other contracts	189	–	189	201	–	201
Total	464,987	313	465,300	361,309	544	361,853

Note: All derivatives held for hedging are designated as fair value hedges.

23. Derivative financial instruments (continued)

The following table summarises the fair values of each class of derivative financial instrument as at 30 June 2007 and 31 December 2006:

	At 30 June 2007			At 31 December 2006		
	Trading HK\$'m	Hedging HK\$'m	Total HK\$'m	Trading HK\$'m	Hedging HK\$'m	Total HK\$'m
Fair value assets						
Exchange rate contracts	9,377	-	9,377	6,806	-	6,806
Interest rate contracts	446	14	460	357	7	364
Bullion contracts	258	-	258	219	-	219
Equity contracts	11	-	11	4	-	4
	10,092	14	10,106	7,386	7	7,393
Fair value liabilities						
Exchange rate contracts	5,041	-	5,041	2,809	-	2,809
Interest rate contracts	673	-	673	795	8	803
Bullion contracts	422	-	422	438	-	438
Equity contracts	14	-	14	2	-	2
	6,150	-	6,150	4,044	8	4,052

The credit risk weighted amounts of the above derivative financial instruments are as follows:

	At 30 June 2007 HK\$'m	Restated At 31 December 2006 HK\$'m
Exchange rate contracts	836	935
Interest rate contracts	78	113
Bullion contracts	18	56
Equity contracts	3	-
	935	1,104

The credit risk weighted amounts are the amounts that have been calculated in accordance with the Banking (Capital) Rules. Comparative figures have been restated to reflect the implementation of the Banking (Capital) Rules. The amounts calculated are dependent upon the status of the counterparty and the maturity characteristics of each type of contract.

There is no effect of bilateral netting agreement on the fair values or the credit risk-weighted amounts of the derivative financial instruments.

Approximately 56% (31 December 2006: 61%) of the Group's transactions in derivative financial instruments contracts are conducted with other financial institutions.

24. Advances and other accounts

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Corporate loans and advances	263,252	220,390
Personal loans and advances	129,559	126,700
Advances to customers	392,811	347,090
Loan impairment allowances		
– Individually assessed	(473)	(546)
– Collectively assessed	(663)	(557)
	391,675	345,987
Trade bills	4,297	3,128
Advances to banks and other financial institutions	3,619	3,743
Total	399,591	352,858

As at 30 June 2007, advances to customers include accrued interest on gross advances of HK\$1,345 million (31 December 2006: HK\$1,236 million).

Impaired advances to customers are analysed as follows:

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Gross impaired advances to customers	717	916
Individually assessed loan impairment allowances made in respect of such advances	473	546

Impaired advances to customers are individually assessed loans with objective evidence of impairment. The loan impairment allowances were made after taking into account the value of collateral in respect of such advances.

As at 30 June 2007 and 31 December 2006, no impairment allowance was made in respect of trade bills and advances to banks and other financial institutions.

24. Advances and other accounts (continued)

Classified and impaired advances to customers and the value of collateral taken into account in respect of such advances are analysed as follows:

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Gross classified and impaired advances to customers	1,618	1,988
Gross classified and impaired advances to customers as a percentage of gross advances to customers	0.41%	0.57%
Current market value of collateral held against the covered portion of such advances	2,950	3,383
Covered portion of such advances	1,243	1,528
Uncovered portion of such advances	375	460

Classified and impaired advances to customers follow the definitions set out in the Banking (Disclosure) Rules and represent advances which are either classified as "substandard", "doubtful" or "loss" under the Group's classification of loan quality, or individually assessed to be impaired.

25. Investment in securities

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
(A) Available-for-sale securities		
Debt securities		
– Listed in Hong Kong	3,721	4,800
– Listed outside Hong Kong	13,558	13,023
	17,279	17,823
– Unlisted	83,387	82,516
	100,666	100,339
Equity securities		
– Unlisted	76	50
	100,742	100,389
(B) Held-to-maturity securities		
Listed, at amortised cost		
– in Hong Kong	4,143	3,935
– outside Hong Kong	23,759	24,629
	27,902	28,564
Unlisted, at amortised cost	141,403	137,024
	169,305	165,588
(C) Loans and receivables		
Unlisted, at amortised cost	31,639	36,114
Total	301,686	302,091
Market value of listed held-to-maturity securities	27,295	28,029

25. Investment in securities (continued)

Investment in securities is analysed by type of issuer as follows:

	At 30 June 2007			
	Available- for-sale securities	Held-to- maturity securities	Loans and receivables	Total
	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Sovereigns	12,636	1,700	–	14,336
Public sector entities	15,704	16,398	–	32,102
Banks and other financial institutions	31,278	107,826	31,639	170,743
Corporate entities	41,124	43,381	–	84,505
	100,742	169,305	31,639	301,686

	At 31 December 2006			
	Available- for-sale securities	Held-to- maturity securities	Loans and receivables	Total
	HK\$'m	HK\$'m	HK\$'m	HK\$'m
Sovereigns	13,180	1,768	–	14,948
Public sector entities	6,933	21,166	–	28,099
Banks and other financial institutions	34,873	102,823	36,114	173,810
Corporate entities	45,403	39,831	–	85,234
	100,389	165,588	36,114	302,091

Available-for-sale and held-to-maturity securities are analysed as follows:

	Available-for-sale securities		Held-to-maturity securities	
	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
	Treasury bills	5,606	7,566	100
Certificates of deposit held	7,352	8,148	10,172	9,367
Others	87,784	84,675	159,033	156,121
	100,742	100,389	169,305	165,588

26. Investment properties

	2007 HK\$'m	2006 HK\$'m
At 1 January	7,481	7,626
Disposals	(78)	(529)
Fair value gains	414	574
Reclassification to properties, plant and equipment (Note 27)	(181)	(190)
At period/year end	7,636	7,481

27. 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	–	–	287	287
Disposals	(16)	–	(2)	(18)
Revaluation	1,182	–	–	1,182
Depreciation for the period	(162)	–	(211)	(373)
Reclassification from investment properties (Note 26)	181	–	–	181
Net book value at 30 June 2007	19,091	–	1,908	20,999
At 30 June 2007				
Cost or valuation	19,091	–	4,919	24,010
Accumulated depreciation and impairment	–	–	(3,011)	(3,011)
Net book value at 30 June 2007	19,091	–	1,908	20,999
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 26)	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

27. Properties, plant and equipment (continued)

	Premises HK\$'m	Property under development HK\$'m	Equipment, fixtures and fittings HK\$'m	Total HK\$'m
The analysis of cost or valuation of the above assets is as follows:				
At 30 June 2007				
At cost	–	–	4,919	4,919
At valuation	19,091	–	–	19,091
	19,091	–	4,919	24,010
At 31 December 2006				
At cost	–	–	4,658	4,658
At valuation	17,906	–	–	17,906
	17,906	–	4,658	22,564

28. Other assets

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Reposessed assets	177	201
Precious metals	1,526	1,534
Accounts receivable and prepayments	59,700	12,873
	61,403	14,608

29. Financial liabilities at fair value through profit or loss

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Trading liabilities		
– Short positions in Exchange Fund Bills (Note 32)	4,154	3,544
Financial liabilities designated at fair value through profit or loss		
– Structured deposits (Note 30)	11,603	9,085
– Certificates of deposit issued	2,447	2,498
	14,050	11,583
	18,204	15,127

The amount of change in their fair values is attributable to changes in a benchmark interest rate. The carrying amount of financial liabilities designated at fair value through profit or loss as at 30 June 2007 is less than the amount that the Group would be contractually required to pay at maturity to the holder by HK\$124 million (31 December 2006: HK\$96 million).

30. Deposits from customers

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Current, savings and other deposit accounts (per consolidated balance sheet)	803,914	694,691
Structured deposits reported as financial liabilities at fair value through profit or loss (Note 29)	11,603	9,085
	815,517	703,776
Analysed by :		
Demand deposits and current accounts		
– corporate customers	108,708	24,624
– individual customers	6,735	6,355
	115,443	30,979
Savings deposits		
– corporate customers	58,090	67,806
– individual customers	188,560	188,847
	246,650	256,653
Time, call and notice deposits		
– corporate customers	147,534	114,039
– individual customers	305,890	302,105
	453,424	416,144
	815,517	703,776

31. Other accounts and provisions

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Other accounts payable	25,847	25,895
Provisions	7	6
	25,854	25,901

32. Assets pledged as security

As at 30 June 2007, liabilities of the Group amounting to HK\$4,154 million (31 December 2006: HK\$3,544 million) were secured by assets deposited with central depositories to facilitate settlement operations. In addition, the liabilities of the Group amounting to HK\$4,412 million (31 December 2006: Nil) were secured by debt securities related to sale and repurchase arrangements. The amount of assets pledged by the Group to secure these liabilities was HK\$8,602 million (31 December 2006: HK\$3,564 million) included in "Trading securities" and "Available-for-sale securities".

33. 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 first half of 2007 and the year ended 31 December 2006 are as follows:

	2007					
	Accelerated tax depreciation	Asset revaluation	Losses	Provisions	Other temporary differences	Total
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m
At 1 January 2007	401	3,155	(71)	(89)	(74)	3,322
Charged/(credited) to income statement	4	44	8	(24)	12	44
Charged/(credited) to equity and minority interests	-	196	-	-	(114)	82
At 30 June 2007	405	3,395	(63)	(113)	(176)	3,448

33. Deferred taxation (continued)

	2006					
	Accelerated tax depreciation	Asset revaluation	Losses	Provisions	Other temporary differences	Total
	HK\$'m	HK\$'m	HK\$'m	HK\$'m	HK\$'m	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:

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Deferred tax assets	(70)	(69)
Deferred tax liabilities	3,518	3,391
	3,448	3,322

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Deferred tax assets to be recovered after more than twelve months	(70)	(69)
Deferred tax liabilities to be settled after more than twelve months	3,668	3,434
	3,598	3,365

33. Deferred taxation (continued)

The deferred tax charged/credited to equity during the first half of 2007 and the year ended 31 December 2006 are as follows:

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Fair value reserves in shareholder's equity:		
– premises	194	165
– available-for-sale securities	(114)	18
– minority interests	2	–
	82	183

34. Insurance contract liabilities

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Gross and net		
At 1 January	14,239	7,968
Benefits paid	(293)	(235)
Claims incurred and movement in liabilities	2,489	6,506
At period/year end	16,435	14,239

35. Share capital

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Authorised:		
20,000,000,000 ordinary shares of HK\$5.00 each	100,000	100,000
Issued and fully paid:		
10,572,780,266 ordinary shares of HK\$5.00 each	52,864	52,864

36. Reserves

The Group's reserves and the movements therein for the current and prior periods are presented in the consolidated statement of changes in equity on pages 41 to 42 of the financial statements.

37. Notes to consolidated cash flow statement**(a) Reconciliation of operating profit to operating cash inflow/(outflow) before taxation**

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Operating profit	8,808	8,188
Reversal of impairment losses on interests in associates	(1)	–
Depreciation	373	323
Reversal of loan impairment allowances	(166)	(642)
Unwind of discount on impairment	(14)	(51)
Advances written off net of recoveries	214	541
Change in cash and balances with banks and other financial institutions with original maturity over three months	(6,883)	3,924
Change in placements with banks and other financial institutions with original maturity over three months	(9,863)	(20,129)
Change in financial assets at fair value through profit or loss	2,360	(2,062)
Change in derivative financial instruments	(615)	(1,572)
Change in advances and other accounts	(46,767)	842
Change in investment in securities	(1,751)	(45,051)
Change in other assets	(46,795)	(976)
Change in deposits and balances of banks and other financial institutions	(2,316)	6,147
Change in financial liabilities at fair value through profit or loss	3,077	5,319
Change in deposits from customers	109,223	8,233
Change in certificates of deposit issued at amortised cost	–	(1)
Change in debt securities in issue at amortised cost	283	–
Change in other accounts and provisions	(47)	4,795
Change in insurance contract liabilities	2,196	2,809
Exchange difference	6	1
Operating cash inflow/(outflow) before taxation	11,322	(29,362)
Cash flows from operating activities included:		
– Interest received	21,158	18,922
– Interest paid	12,427	11,525
– Dividend received	9	15

37. Notes to consolidated cash flow statement (continued)
(b) Analysis of the balances of cash and cash equivalents

	At 30 June 2007 HK\$'m	At 30 June 2006 HK\$'m
Cash and balances with banks and other financial institutions with original maturity within three months	110,712	67,266
Placements with banks and other financial institutions with original maturity within three months	14,339	12,237
Treasury bills with original maturity within three months	8,244	4,081
Certificates of deposit held with original maturity within three months	702	952
	133,997	84,536

38. Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment and the corresponding aggregate credit risk weighted amount:

	At 30 June 2007 HK\$'m	Restated At 31 December 2006 HK\$'m
Direct credit substitutes	1,264	1,389
Transaction-related contingencies	8,385	7,191
Trade-related contingencies	23,007	20,795
Commitments that are unconditionally cancellable without prior notice	44,728	42,740
Other commitments with an original maturity of		
– up to one year	80,092	68,923
– over one year	42,640	46,743
	200,116	187,781
Credit risk weighted amount	40,802	39,904

The calculation basis of credit risk weighted amount has been set out in Note 23 to the financial statements.

39. Capital commitments

The Group has the following outstanding capital commitments not provided for in the financial statements:

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Authorised and contracted for but not provided for	263	162
Authorised but not contracted for	2	5
	265	167

The above capital commitments mainly relate to commitments to purchase computer equipment and software, and to renovate the Group's premises.

40. Operating lease commitments**(a) The Group as lessee**

The Group has commitments to make the following future minimum lease payments under non-cancellable operating leases:

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Land and buildings		
– not later than one year	301	280
– later than one year but not later than five years	280	273
– later than five years	1	1
	582	554
Computer equipment		
– not later than one year	–	1

Certain non-cancellable operating leases included in the tables above were subject to renegotiation and rent adjustment with reference to market rates prevailing at specified agreed dates.

40. Operating lease commitments (continued)**(b) The Group as lessor**

The Group has contracted with tenants for the following future minimum lease receivables under non-cancellable operating leases:

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Land and buildings		
– not later than one year	217	216
– later than one year but not later than five years	174	219
	391	435

The Group leases its investment properties (Note 26) under operating lease arrangements, with leases typically for a period from one to three years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the prevailing market conditions. None of the leases includes contingent rentals.

41. 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 Retail Banking, Corporate Banking, Treasury and Insurance.

Both Retail Banking and Corporate Banking segments provide general banking services. Retail Banking mainly serves individual customers, small companies, and organisations with deposit only. Corporate Banking mainly deals with medium to large companies. 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.

41. Segmental reporting (continued)

	Half-year ended 30 June 2007							
	Retail 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 income/(expenses)	4,309	2,368	2,418	346	(538)	8,903	-	8,903
Net fees and commission income/(expenses)	2,252	557	6	(111)	(41)	2,663	(31)	2,632
Net trading income	275	83	33	-	26	417	-	417
Net loss on financial instruments designated at fair value through profit or loss	-	-	(5)	(389)	-	(394)	-	(394)
Net gain on investments in securities	-	-	2	-	-	2	-	2
Net insurance premium income	-	-	-	2,936	-	2,936	(3)	2,933
Other operating income	28	1	-	5	804	838	(639)	199
Total operating income	6,864	3,009	2,454	2,787	251	15,365	(673)	14,692
Net insurance benefits and claims	-	-	-	(2,632)	-	(2,632)	-	(2,632)
Net operating income before loan impairment allowances	6,864	3,009	2,454	155	251	12,733	(673)	12,060
(Provision for)/Reversal of loan impairment allowances	(54)	220	-	-	-	166	-	166
Net operating income	6,810	3,229	2,454	155	251	12,899	(673)	12,226
Operating expenses	(2,676)	(774)	(233)	(48)	(360)	(4,091)	673	(3,418)
Operating profit/(loss)	4,134	2,455	2,221	107	(109)	8,808	-	8,808
Net gain from disposal of/fair value adjustments on investment properties	-	-	-	-	416	416	-	416
Net gain from disposal/revaluation of properties, plant and equipment	-	-	-	-	5	5	-	5
Share of profits less losses of associates	-	-	-	-	(2)	(2)	-	(2)
Profit before taxation	4,134	2,455	2,221	107	310	9,227	-	9,227
At 30 June 2007								
Assets								
Segment assets	192,948	268,927	542,566	18,307	28,611	1,051,359	(4,681)	1,046,678
Interests in associates	-	-	-	-	56	56	-	56
Unallocated corporate assets	-	-	-	-	361	361	-	361
	192,948	268,927	542,566	18,307	29,028	1,051,776	(4,681)	1,047,095
Liabilities								
Segment liabilities	650,938	180,554	106,322	17,053	471	955,338	(4,681)	950,657
Unallocated corporate liabilities	-	-	-	-	6,613	6,613	-	6,613
	650,938	180,554	106,322	17,053	7,084	961,951	(4,681)	957,270
Half-year ended 30 June 2007								
Other information								
Additions of properties, plant and equipment	2	-	-	-	285	287	-	287
Depreciation	120	36	19	1	197	373	-	373
Amortisation of securities	-	-	919	-	-	919	-	919

41. Segmental reporting (continued)

	Half-year ended 30 June 2006							
	Retail 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 income/(expenses)	3,812	1,981	2,006	208	(504)	7,503	-	7,503
Net fees and commission income/(expenses)	1,394	487	(9)	(108)	3	1,767	(6)	1,761
Net trading income	250	48	813	-	-	1,111	1	1,112
Net loss on financial instruments designated at fair value through profit or loss	-	-	(21)	(415)	-	(436)	-	(436)
Net (loss)/gain on investments in securities	-	-	(11)	-	3	(8)	-	(8)
Net insurance premium income	-	-	-	3,478	-	3,478	(2)	3,476
Other operating income	26	-	17	3	701	747	(578)	169
Total operating income	5,482	2,516	2,795	3,166	203	14,162	(585)	13,577
Net insurance benefits and claims	-	-	-	(3,060)	-	(3,060)	-	(3,060)
Net operating income before loan impairment allowances	5,482	2,516	2,795	106	203	11,102	(585)	10,517
Reversal of loan impairment allowances	38	604	-	-	-	642	-	642
Net operating income	5,520	3,120	2,795	106	203	11,744	(585)	11,159
Operating expenses	(2,326)	(675)	(189)	(27)	(339)	(3,556)	585	(2,971)
Operating profit/(loss)	3,194	2,445	2,606	79	(136)	8,188	-	8,188
Net gain from disposal of/fair value adjustments on investment properties	-	-	-	-	494	494	-	494
Net loss from disposal/revaluation of properties, plant and equipment	(5)	-	-	-	(4)	(9)	-	(9)
Profit before taxation	3,189	2,445	2,606	79	354	8,673	-	8,673
At 31 December 2006								
Assets								
Segment assets	169,595	222,701	497,155	15,804	26,889	932,144	(3,472)	928,672
Interests in associates	-	-	-	-	60	60	-	60
Unallocated corporate assets	-	-	-	-	221	221	-	221
	169,595	222,701	497,155	15,804	27,170	932,425	(3,472)	928,953
Liabilities								
Segment liabilities	577,755	148,353	98,531	14,649	173	839,461	(3,472)	835,989
Unallocated corporate liabilities	-	-	-	-	6,324	6,324	-	6,324
	577,755	148,353	98,531	14,649	6,497	845,785	(3,472)	842,313
Half-year ended 30 June 2006								
Other information								
Additions of properties, plant and equipment	-	-	-	-	288	288	-	288
Depreciation	89	28	14	1	191	323	-	323
Amortisation of securities	-	-	856	-	-	856	-	856

42. Significant related party transactions

Related parties are those parties that have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or other entities.

Transactions with related parties, which the Group entered into during the period are summarised as follows:

(a) Advances to third parties guaranteed by BOC group companies

As at 30 June 2007, BOC, the intermediate holding company, provided guarantees for loans in favour of the Group amounting to HK\$2,827 million (31 December 2006: HK\$2,522 million) to certain third parties. BOC held equity interests of not more than 20% in these third parties.

(b) Summary of transactions entered into during the ordinary course of business with BOC group companies

The aggregate income and expenses arising from related party transactions with the immediate holding company, the intermediate holding companies, associates of the Company as well as subsidiaries and associates of BOC are summarised as follows:

	Half-year ended 30 June 2007			
		Immediate and intermediate holding companies	Associates	Other related parties ¹
	Notes	HK\$'m	HK\$'m	HK\$'m
Income statement items:				
Interest income	(i)	205	–	9
Interest expense	(ii)	(232)	(2)	(168)
Insurance premium paid (net)	(iii)	–	–	(20)
Administrative services fees received/receivable	(iv)	16	–	16
Rental fees received/receivable	(iv)	–	–	11
Credit card commission paid/ payable (net)	(v)	(42)	–	(1)
Securities brokerage commission paid/payable (net)	(v)	–	–	(178)
Rental, property management and letting agency fees paid/payable	(v)	–	–	(40)
Funds selling commission received	(vi)	–	–	71
Correspondent banking fee received	(vii)	7	–	–
Loan services fees received		–	–	1
Net trading gains		11	–	54

42. Significant related party transactions (continued)

(b) Summary of transactions entered into during the ordinary course of business with BOC group companies (continued)

	Half-year ended 30 June 2006			
		Immediate and intermediate holding companies	Associates	Other related parties ¹
	Notes	HK\$'m	HK\$'m	HK\$'m
Income statement items:				
Interest income	(i)	325	–	10
Interest expense	(ii)	(327)	(2)	(113)
Insurance premium paid (net)	(iii)	–	–	(4)
Administrative services fees received/receivable	(iv)	17	–	10
Rental fees received/receivable	(iv)	–	–	8
Credit card commission paid/ payable (net)	(v)	(46)	–	(1)
Securities brokerage commission paid/payable (net)	(v)	–	–	(64)
Rental, property management and letting agency fees paid/payable	(v)	–	–	(39)
Funds selling commission received	(vi)	–	–	22
Correspondent banking fee received	(vii)	5	–	–
Net trading gains/(losses)		73	–	(2)

42. Significant related party transactions (continued)

(b) Summary of transactions entered into during the ordinary course of business with BOC group companies (continued)

	At 30 June 2007			
	Notes	Immediate and intermediate holding companies HK\$'m	Associates HK\$'m	Other related parties ¹ HK\$'m
Balance sheet items:				
Cash and balances with banks and other financial institutions	(i)	8,616	–	41
Placements with banks and other financial institutions maturing between one and twelve months	(i)	4,301	–	–
Financial assets at fair value through profit or loss		2	–	1,662
Derivative financial instruments assets	(viii)	25	–	–
Advances and other accounts	(i)	13	–	2,036
Other assets	(ix)	81	–	3,912
Deposits and balances of banks and other financial institutions	(ii)	9,170	–	1,607
Deposits from customers	(ii)	64	76	7,097
Derivative financial instruments liabilities	(viii)	10	–	1
Other accounts and provisions	(ix)	55	–	3,538

42. Significant related party transactions (continued)**(b) Summary of transactions entered into during the ordinary course of business with BOC group companies (continued)**

	At 31 December 2006			
	Notes	Immediate and intermediate holding companies HK\$'m	Associates HK\$'m	Other related parties ¹ HK\$'m
Balance sheet items:				
Cash and balances with banks and other financial institutions	(i)	8,027	–	21
Placements with banks and other financial institutions maturing between one and twelve months	(i)	5,272	–	102
Financial assets at fair value through profit or loss		1	–	1,706
Derivative financial instruments assets	(viii)	15	–	–
Advances and other accounts	(i)	64	–	–
Other assets	(ix)	54	–	4,163
Deposits and balances of banks and other financial institutions	(ii)	20,722	–	1,390
Deposits from customers	(ii)	157	77	6,417
Derivative financial instruments liabilities	(viii)	13	–	–
Other accounts and provisions	(ix)	88	–	3,853

1 Subsidiaries and associates of BOC and post-employment benefit plans for the benefit of employees of the Company are collectively disclosed as other related parties and certain of which are state-controlled entities.

Notes:

(i) Interest income

In the ordinary course of business, the Group enters into various transactions with BOC group companies including deposit of cash and balances with banks and other financial institutions, placement of interbank deposits and provision of loans and credit facilities. The transactions were conducted at prices and terms that are no more favourable than those charged to and contracted with other third party customers of the Group.

42. Significant related party transactions (continued)**(b) Summary of transactions entered into during the ordinary course of business with BOC group companies (continued)**

Notes: (continued)

(ii) Interest expense

In the ordinary course of business, the Group accepts interbank deposits and current, fixed, savings and other deposits from BOC group companies at the relevant market rates at the time of the transactions.

(iii) Insurance premium paid/insurance commission received (net)

In the ordinary course of business, the Group provides insurance agency services to and purchases general insurance policies from BOC group companies at the relevant market rates at the time of the transactions.

(iv) Administrative services fees and rental fees received/receivable

In the ordinary course of business, the Group receives administrative services fees for the provision of various administrative services including internal audit, technology, human resources support and training to BOC group companies mainly on the basis of cost plus a margin of 5%, and receives office premises rental fees from BOC group companies at the relevant market rates at the time of the transactions.

(v) Commission, property management, letting agency fees and rental fees paid/payable

In the ordinary course of business, the Group pays commission fees for credit card administrative and promotional services, securities brokerage services, property management and letting agency fees to BOC group companies. The Group also pays rental fees to BOC group companies. These transactions were priced at the relevant market rates at the time of the transactions.

(vi) Funds selling commission received

In the ordinary course of business, the Group receives commission for engaging in promotion and sale of fund products of a BOC group company to customers of the Group at the relevant market rates at the time of the transactions.

(vii) Correspondent banking fee received

In the ordinary course of business, BOC provides services to the Group's customers including remittance services and advising on and collecting letters of credit issued by the Group. The Group shares the fees paid by its customers with BOC on the basis agreed between the parties from time to time.

(viii) Derivative financial instruments assets/liabilities

In the ordinary course of business, the Group enters into foreign exchange contracts and interest rate contracts with BOC group companies. As at 30 June 2007 the aggregate notional amount of such derivative transactions amounted to HK\$9,647 million (31 December 2006: HK\$15,918 million) whilst the corresponding derivative financial instruments assets and liabilities amounted to HK\$25 million (31 December 2006: HK\$15 million) and HK\$11 million (31 December 2006: HK\$13 million) respectively. These transactions are executed at the relevant market rates at the time of the transactions.

42. Significant related party transactions (continued)**(b) Summary of transactions entered into during the ordinary course of business with BOC group companies (continued)**

Notes: (continued)

(ix) Other assets and other accounts and provisions

Included within "Other assets" and "Other accounts and provisions" are receivables from and payables to BOC group companies. The amounts mainly represent the accounts receivables from and payables to a subsidiary of BOC in relation to dealing securities trading transactions on behalf of the Group's customers. The receivables and payables arose from transactions carried out in the normal course of business.

(c) Contingent liabilities and commitments

In the ordinary course of business, the Group provides loan facilities and trade finance services to, and guarantees for the obligations of BOC and its subsidiaries and associates on normal commercial terms. As at 30 June 2007, the total undrawn loan commitments, trade finance-related contingencies and guarantees amounted to HK\$3,925 million (31 December 2006: HK\$3,558 million).

(d) Key management personnel

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including Directors and Senior Management. The Group accepts deposits from and grants loans and credit facilities to key management personnel in the ordinary course of business. During both the current and prior periods, no material transaction was conducted with key management personnel of BOCHK, its holding companies and parties related to them.

The key management compensation for the six months ended 30 June 2007 and 2006 is detailed as follows:

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Salaries and other short-term employee benefits	27	21
Post-employment benefits	1	–
	28	21

42. Significant related party transactions (continued)**(e) Transactions with Ministry of Finance and The People's Bank of China**

The Group enters into banking transactions with these entities in the normal course of business. These include purchases and redemption of treasury bonds and money market transactions. The outstanding balances at the period/year end, and the related income and expenses for the period are as follows:

(i) Advances to customers/banks and other financial institutions

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	4	5

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	164	–
Outstanding balance at end of the period/year	143	164

(ii) Treasury bonds

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	30	52

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	1,578	2,630
Outstanding balance at end of the period/year	1,381	1,578

42. Significant related party transactions (continued)

(e) Transactions with Ministry of Finance and The People's Bank of China (continued)

(iii) Due from banks and other financial institutions

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	130	112

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	23,693	21,846
Outstanding balance at end of the period/year	28,038	23,693

(iv) Due to banks and other financial institutions

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest expense	-	-

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	-	-
Outstanding balance at end of the period/year	1	-

(f) Transactions with Central SAFE and other companies controlled by Central SAFE

Central SAFE is the controlling entity of BOC. Central SAFE is approved by the State Council of the PRC to assume the rights and obligations of the equity owner on behalf of the State. Accordingly, Central SAFE, acting on behalf of the State, has become the ultimate holding company of the Company by virtue of its interest in BOC.

The Group did not have any balances or enter into any transactions with Central SAFE for the six months ended 30 June 2007 and 2006 (31 December 2006: Nil).

42. Significant related party transactions (continued)**(f) Transactions with Central SAFE and other companies controlled by Central SAFE (continued)**

Central SAFE has controlling equity interests in certain other banks in the PRC. The Group enters into banking transactions with these companies in the normal course of business. These include loans, investment securities and money market transactions. The outstanding balances at the period/year end, and the related income and expenses for the period are as follows:

(i) Advances to customers/banks and other financial institutions

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	–	–

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	29	11
Outstanding balance at end of the period/year	–	29

(ii) Investment securities

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	36	38

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	1,270	2,043
Outstanding balance at end of the period/year	2,233	1,270

42. Significant related party transactions (continued)

(f) Transactions with Central SAFE and other companies controlled by Central SAFE (continued)

(iii) Financial assets at fair value through profit or loss

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	–	–

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	25	19
Outstanding balance at end of the period/year	43	25

(iv) Due from banks and other financial institutions

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	35	9

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	854	1,034
Outstanding balance at end of the period/year	2,085	854

42. Significant related party transactions (continued)**(f) Transactions with Central SAFE and other companies controlled by Central SAFE (continued)****(v) Due to banks and other financial institutions**

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest expense	(1)	–

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	77	15
Outstanding balance at end of the period/year	212	77

(g) Transactions with other state-controlled entities

The state-controlled entities are those, other than BOC (the intermediate holding company and its subsidiaries) and Central SAFE and its controlled companies over which the PRC government directly or indirectly holds over 50% of the outstanding shares or voting rights, and has the ability to control or the power to govern their financial or operational policies through its government authorities, agencies and affiliates. The Group has extensive transactions with other state controlled entities. These transactions, conducted in the ordinary course of business, may include, but are not limited to, the following:

- lending, provision of credits and guarantees and deposit taking;
- inter-bank balance taking and placing;
- sale, purchase, underwriting and redemption of bonds issued by other state-controlled entities;
- rendering of foreign exchange, remittance, investment related services;
- provision of fiduciary activities; and
- purchase of utilities, transport, telecommunication and postal services.

Utilities, transport, telecommunication and postal services are charged by service providers at market rates. Management believes that, based on their assessment, the amounts of such related party transactions are insignificant for the period and therefore are not disclosed. Details of other transactions are set forth below.

42. Significant related party transactions (continued)**(g) Transactions with other state-controlled entities (continued)**

The Group enters into banking transactions with other state-controlled entities in the ordinary course of business. These include loans, deposits, investment securities, money market transactions and off-balance sheet exposures. The outstanding balances and related provisions at the period/year end, and the related income and expenses for the period are as follows:

(i) Advances to customers/banks and other financial institutions

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	959	943
Reversal of individually assessed loan impairment allowances	7	47

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	32,248	41,543
Outstanding balance at end of the period/year	38,910	32,248
Less: individually assessed loan impairment allowances	(81)	(88)
	38,829	32,160

(ii) Investment securities

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	165	179

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	7,640	6,977
Outstanding balance at end of the period/year	6,902	7,640

Investment securities include held-to-maturity securities and available-for-sale securities.

42. Significant related party transactions (continued)

(g) Transactions with other state-controlled entities (continued)

(iii) Financial assets at fair value through profit or loss

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	9	9

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	377	738
Outstanding balance at end of the period/year	549	377

(iv) Due from banks and other financial institutions

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest income	206	129

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	4,746	4,839
Outstanding balance at end of the period/year	4,921	4,746

42. Significant related party transactions (continued)

(g) Transactions with other state-controlled entities (continued)

(v) Due to banks and other financial institutions

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest expense	(123)	(83)

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	10,949	6,434
Outstanding balance at end of the period/year	10,077	10,949

(vi) Deposits from customers

	Half-year ended 30 June 2007 HK\$'m	Half-year ended 30 June 2006 HK\$'m
Interest expense	(579)	(761)

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding balance at beginning of the period/year	26,613	44,652
Outstanding balance at end of the period/year	32,285	26,613

42. Significant related party transactions (continued)

(g) Transactions with other state-controlled entities (continued)

(vii) Contingent liabilities and commitments (including guarantees)

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Contingent liabilities and commitments (including guarantees)	31,746	26,273

(viii) Outstanding derivative transactions (notional amount)

	At 30 June 2007 HK\$'m	At 31 December 2006 HK\$'m
Outstanding derivative transactions (notional amount)	1,833	618

43. Ultimate holding company

Central SAFE, acting on behalf of the State, is the ultimate holding company of the Company whilst BOC is the Company's intermediate holding company.

44. Comparative amounts

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

45. Statutory accounts

The information in the interim report is unaudited and does not constitute statutory accounts. The statutory accounts for the year ended 31 December 2006 have been delivered to the Registrar of Companies and the HKMA. The auditors expressed an unqualified opinion on those statutory accounts in their report dated 22 March 2007.