

## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 1. Connected transactions

In 2008, 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 three categories:

1. exempted transactions entered into in the usual course of business and under normal commercial terms. Such transactions were exempted from disclosure and independent shareholder approval by virtue of Rules 14A.31, 14A.33 and 14A.65 of the Listing Rules;
2. certain regular banking transactions entered into on a continual basis throughout the year. On 2 January 2008 the Company made an announcement (the "Announcement") in accordance with Rule 14A.47 of the Listing Rules, and has got the approval from the independent shareholders on 20 May 2008. 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 2008-2010. These transactions were conducted in the ordinary course of its business and on normal commercial terms. 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	2008 Cap (HK\$'m)	2008 Actual Amount (HK\$'m)
Securities Transactions	2,700	324
Fund Distribution Transactions	2,700	70
Credit Card Services	1,100	116
Information Technology Services	1,100	42
Property Transactions	1,100	104
Bank-note Delivery	1,100	88
Insurance Agency	2,700	343
Provision of Insurance Cover	1,100	105
Foreign Exchange Transactions	2,700	200
Trading of Financial Assets	50,000	4,150
Inter-bank Capital Markets	50,000	1,709

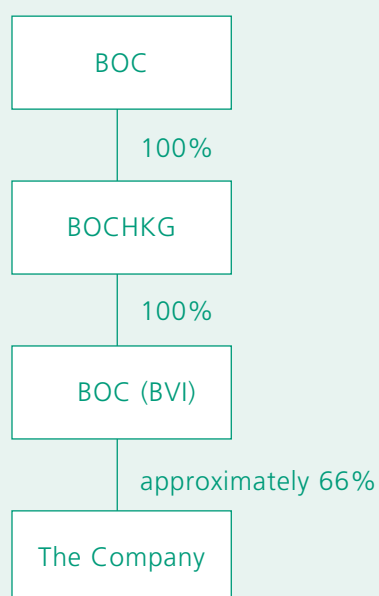
3. The Company disclosed in two connected transactions announcements on 25 June 2008 and 12 December 2008 respectively that it entered into two subordinated credit facility agreements with BOC. Pursuant to such agreements, BOC extended a €660,000,000 subordinated credit facility and a US\$2,500,000,000 subordinated credit facility to BOCHK respectively. The terms of the subordinated credit facilities were negotiated on an arm's length basis between the two parties and the subordinated loans were provided on normal commercial terms. With the benefit of advice by an independent financial adviser in each transaction, the independent board committee considers that the terms are fair and reasonable. Details of these connected transactions are described in the announcements which may be viewed at the Company's website.

## 2. 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.

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.



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.

## 2. Reconciliation between HKFRSs vs IFRS/CAS (continued)

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	
	2008 HK\$'m	2007 HK\$'m	2008 HK\$'m	2007 HK\$'m
<b>Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under HKFRSs</b>	<b>3,007</b>	15,817	<b>84,532</b>	95,058
Add: IFRS/CAS adjustments				
Re-measurement of carrying value of treasury products	<b>(54)</b>	(146)	<b>35</b>	1
Restatement of carrying value of bank premises	<b>280</b>	125	<b>(9,445)</b>	(9,990)
Deferred tax adjustments	<b>(51)</b>	(3)	<b>1,534</b>	1,692
<b>Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under IFRS/CAS</b>	<b>3,182</b>	15,793	<b>76,656</b>	86,761