

Unaudited Supplementary Financial Information

1. Regulatory Disclosures

The Regulatory Disclosures, together with the disclosures in this Annual Report, contained all the disclosures required by the Banking (Disclosure) Rules and Financial Institutions (Resolution) (Loss-absorbing Capacity Requirements – Banking Sector) Rules issued by the HKMA. The Regulatory Disclosures is available under the section “Regulatory Disclosures” on BOCHK’s website at www.bochk.com.

This Annual Report and the Regulatory Disclosures are prepared according to the Group’s disclosure policy. The disclosure policy sets out a robust mechanism for the Group’s disclosures of financial information on a legitimate and compliant basis. It depicts the principles and internal control measures to ensure the timeliness, fairness, accuracy, integrity, completeness and legitimacy of financial disclosures.

2. Connected transactions

In 2021, 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. The Group is subject to the control of the State Council of the PRC Government through China Investment Corporation (“CIC”), its wholly-owned subsidiary Central Huijin Investment Ltd. (“Central Huijin”), and BOC in which Central Huijin has controlling equity interests. Central Huijin is the ultimate controlling shareholder of the Company. Central Huijin has accepted PRC Government’s authorisation in carrying out equity investment in core financial enterprises. For the purposes of this report, therefore, Central Huijin and its Associates have not been treated as connected persons to the Company.

The transactions fell into the following two categories:

1. exempted transactions entered into in the ordinary and usual course of business and under normal commercial terms or better. Such transactions were (1) fully exempted from shareholders’ approval, annual review and all disclosure requirements and/or (2) exempted from shareholders’ approval requirement by virtue of Rules 14A.76 and 14A.87 to 14A.101 of the Listing Rules;
2. certain continuing connected transactions conducted pursuant to the Services and Relationship Agreement entered into among, inter alia, the Company and BOC dated 6 July 2002 (as amended and supplemented from time to time, which has been amended for a period of three years commencing 1 January 2020), whereas BOC has agreed to, and agreed to procure its Associates to, enter into all future arrangements with the Group on an arm’s length basis, on normal commercial terms and at rates no less favourable than those offered to independent third parties, in relation to certain areas including, among others, information technology services, training services, physical bullion agency services, correspondent banking arrangements, treasury transactions, provision of insurance and syndicated loans, and the Company has agreed to, and agreed to procure its subsidiaries to, enter into all future arrangements on the same basis, provided that the rates offered by the Group to BOC and its Associates will be no more favourable than those offered to independent third parties. The Services and Relationship Agreement has also been last amended to allow for the provision of insurance agency and insurance referral services between BOC and its Associates and the Group. On 23 December 2019 the Company made an announcement (the “Announcement”) in accordance with Rule 14A.35 of the Listing Rules, and has got the approval from the independent shareholders on 29 June 2020. The Announcement listed those continuing connected transactions that exceeded the de minimus threshold and set out caps in respect of such transactions for 2020-2022. These transactions were conducted in the ordinary and usual course of its business and on normal commercial terms or better. 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. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

2. Connected transactions (continued)

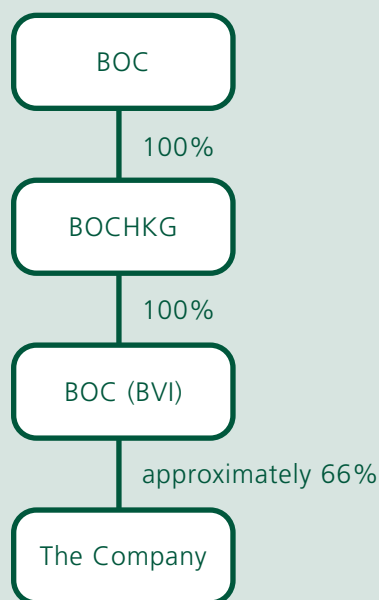
Type of Transaction	2021 Cap (HK\$'m)	2021 Actual Amount (HK\$'m)
Information Technology Services	1,000	158
Property Transactions	1,000	182
Bank-note Delivery	1,000	34
Provision of Insurance Cover	1,000	297
Card Services	1,000	95
Custody Business	1,000	65
Contact Centre Services	1,000	79
Securities Transactions	7,000	324
Fund Distribution Transactions	7,000	58
Insurance Agency and Insurance Referral	7,000	984
Investment Products Transactions	250,000	1,361
Asset Management and Referral Services	7,000	86
Foreign Exchange Transactions	7,000	884
Derivatives Transactions	7,000	349
Trading of Financial Assets	250,000	7,057
Inter-bank Capital Markets	250,000	35,244

3. Reconciliation between HKFRSs vs IFRSs/CASs

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 IFRSs and CASs for which the Company and its subsidiaries will form part of the consolidated financial statements. The requirements of CASs have substantially converged with HKFRSs and IFRSs.

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 HKFRSs; whereas the consolidated financial information reported to BOC is prepared in accordance with IFRSs and CASs respectively. There is a difference in the election of subsequent measurement basis of bank premises by the Group and by BOC respectively.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

3. Reconciliation between HKFRSs vs IFRSs/CASs (continued)

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 consolidated 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 IFRSs/CASs respectively for the periods presented.

The major differences which arise from the difference in measurement basis relate to the following:

(a) Restatement of carrying value of bank premises

The Company has elected for a revaluation model rather than cost model to account for bank premises under HKFRSs. On the contrary, BOC has elected for the cost model for bank premises under IFRSs and CASs. 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 IFRSs and CASs.

(b) Deferred tax adjustments

These represent the deferred tax effect of the aforesaid adjustments.

Profit after tax/net assets reconciliation

HKFRSs vs IFRSs/CASs

	Profit after tax		Net assets	
	2021 HK\$'m	2020 HK\$'m	2021 HK\$'m	2020 HK\$'m
Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under HKFRSs	24,999	28,468	327,461	319,655
Add: IFRSs/CASs adjustments				
Restatement of carrying value of bank premises	891	959	(31,786)	(32,110)
Deferred tax adjustments	(93)	(119)	5,534	5,534
Profit after tax/net assets of BOC Hong Kong (Holdings) Limited prepared under IFRSs/CASs	25,797	29,308	301,209	293,079