

**BOCI ASIA LIMITED**  
**中銀國際亞洲有限公司**

**2016 INTERIM REPORT**

**BOCI ASIA LIMITED**  
**中銀國際亞洲有限公司**

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

		Unaudited Six months ended 30 June	
	Note	2016 HK\$	2015 HK\$
Revenue	4a	1,083,797,351	1,960,666,947
Trading (loss)/gain, net	4b	(116,803,718)	673,216,962
Other income		176,166,314	138,401,486
Total income		<u>1,143,159,947</u>	<u>2,772,285,395</u>
Commission and clearing expenses		(278,555,935)	(619,099,800)
Staff costs		(228,470,049)	(235,545,263)
Operating lease rental in respect of leased premises		(30,656,462)	(29,948,856)
Depreciation		(176,644)	(1,008,997)
Information technology and communications expenses		(59,089,769)	(63,550,390)
Management fee to related companies		(236,493,902)	(189,328,107)
Other operating expenses		(42,659,909)	(50,016,167)
		<u>(876,102,670)</u>	<u>(1,188,497,580)</u>
Finance costs		(69,418,999)	(137,125,601)
Profit before taxation		<u>197,638,278</u>	<u>1,446,662,214</u>
Income tax expense	5	(15,036,498)	(218,004,330)
Profit after taxation for the period		<u>182,601,780</u>	<u>1,228,657,884</u>
Profit attributable to: Equity holders of the Company		<u>182,601,780</u>	<u>1,228,657,884</u>

**BOCI ASIA LIMITED**  
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Unaudited Six months ended 30 June	
	2016 HK\$	2015 HK\$
Profit after taxation for the period	182,601,780	1,228,657,884
Total comprehensive income for the period	<u>182,601,780</u>	<u>1,228,657,884</u>
Attributable to: Equity holders of the Company	<u>182,601,780</u>	<u>1,228,657,884</u>

**BOCI ASIA LIMITED**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2016**

	Note	Unaudited 30 June 2016 HK\$	Audited 31 December 2015 HK\$
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	6	86,099	262,744
Intangible assets		49,715,218	49,715,218
Available-for-sale financial assets	7	355,000	355,000
Statutory deposits and other assets		133,216,909	121,951,471
Deferred income tax assets		25,464,513	1,312,218
Total non-current assets		208,837,739	173,596,651
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	8	2,426,467,151	3,498,438,235
Held-to-maturity financial assets	9	149,985,646	150,000,000
Derivative financial instruments	10	205,115,609	140,222,052
Loans and receivables	11	21,393,898,374	23,477,503,691
Amounts due from the immediate holding company	14	1,641,479,114	841,485,810
Cash and balances with banks	12	9,841,741,960	9,166,621,194
Taxation recoverable		32,753,778	26,559,972
Total current assets		35,691,441,632	37,300,830,954
<b>CURRENT LIABILITIES</b>			
Bank loans and other borrowings-unsecured		430,005,301	-
Subordinated loans from the immediate holding company	14	2,500,000,000	2,500,000,000
Amounts due to the immediate holding company	14	4,788,044,242	9,936,061,833
Amounts due to fellow subsidiaries	13	1,364,903,072	2,811,535,109
Amounts due to a related company	14	16,126,283	9,233,382
Accounts and other payables	15	10,017,540,842	7,271,204,179
Deposits from customers	16	8,518,703,854	7,325,959,586
Derivative financial instruments	10	294,192,303	273,118,111
Financial liabilities at fair value through profit or loss	17	499,370,158	221,996,628
Taxation payable		118,602,757	85,063,118
Total current liabilities		28,547,488,812	30,434,171,946
<b>NET CURRENT ASSETS</b>		7,143,952,820	6,866,659,008
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,352,790,559	7,040,255,659

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AT 30 JUNE 2016**

	Note	Unaudited 30 June 2016 HK\$	Audited 31 December 2015 HK\$
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,352,790,559	7,040,255,659
<hr/>			
<b>NON-CURRENT LIABILITIES</b>			
Accounts and other payables	15	95,002,845	96,602,840
Amounts due to the immediate holding company	14	334,975,865	203,442,750
		<hr/>	<hr/>
Total non-current liabilities		429,978,710	300,045,590
		<hr/>	<hr/>
<b>Net assets</b>		6,922,811,849	6,740,210,069
		<hr/>	<hr/>
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	2,000,000,000	2,000,000,000
Reserve for fair value change of available-for-sale financial assets		15,000	15,000
Retained earnings		4,922,796,849	4,740,195,069
		<hr/>	<hr/>
Total equity		6,922,811,849	6,740,210,069
		<hr/>	<hr/>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Unaudited			
	Share capital HK\$	Reserve for fair value change of available-for-sale financial assets HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 January 2016	2,000,000,000	15,000	4,740,195,069	6,740,210,069
Comprehensive income for the period	-	-	182,601,780	182,601,780
Balance at 30 June 2016	<u>2,000,000,000</u>	<u>15,000</u>	<u>4,922,796,849</u>	<u>6,922,811,849</u>
Balance at 1 January 2015	2,000,000,000	15,000	3,970,562,091	5,970,577,091
Comprehensive income for the period	-	-	1,228,657,884	1,228,657,884
Balance at 30 June 2015	<u>2,000,000,000</u>	<u>15,000</u>	<u>5,199,219,975</u>	<u>7,199,234,975</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Unaudited Six months ended 30 June	
	2016 HK\$	2015 HK\$
Net cash (outflow)/inflow from operating activities	(875,068,777)	2,765,681,000
Net cash inflow/(outflow) from investing activities	43,049	(285,633,047)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(875,025,728)	2,480,047,953
Cash and cash equivalents at 1 January	9,142,729,345	7,940,493,691
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>8,267,703,617</u>	<u>10,420,541,644</u>
 Analysis of balance of cash and cash equivalents		
Bank and cash balance with original maturity within three months	<u>8,267,703,617</u>	<u>10,420,541,644</u>

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**1 Basis of preparation**

The unaudited interim report of BOCI Asia Limited and its subsidiaries (“the Group”) is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**2 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 consolidated financial statements for the year ended 31 December 2015 and should be read in conjunction with the Group’s consolidated financial statements for 2015.

**3 Segment information**

The operating business of BOC International Holdings Limited (“the BOCI Group”), the Group’s immediate holding company, are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products. The Group’s operating business segment and structure follow that of the BOCI Group.

Business segments have been used as a primary reporting format and no geographical segment analysis is presented as most of the Group’s major business activities and assets are conducted in Hong Kong.

The main business segments of the Group are as follows:

Investment banking	<ul style="list-style-type: none"><li>• Provides a wide range of securities origination services for issuer clients, including underwriting and placement of public and private equity, debt and related securities.</li><li>• Advises clients on mergers, acquisitions and restructurings.</li></ul>
Brokerage & wealth management	<ul style="list-style-type: none"><li>• Provides brokerage, and margin financing service to individual and institutional clients.</li></ul>
Fixed income & equity market	<ul style="list-style-type: none"><li>• Facilitates client transactions and makes markets in securities, derivatives, currencies, commodities and other financial instruments to satisfy client demands.</li><li>• Engages in principal and in proprietary trading activities.</li></ul>
Leveraged & structured finance	<ul style="list-style-type: none"><li>• Provides structured financing and financial advisory services.</li></ul>
Treasury and others	<ul style="list-style-type: none"><li>• Provides central treasury services on behalf of Group companies.</li></ul>
Private banking	<ul style="list-style-type: none"><li>• Provides a range of services for high net-worth individual clients and corporate clients.</li></ul>



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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**3 Segment information (Continued)**

The Group's segment results for six months ended 30 June 2016 are as follows:

Unaudited

	Investments banking HK\$'000	Brokerage & wealth management HK\$'000	Private banking HK\$'000	Fixed income and equity market HK\$'000	Leveraged & structured finance HK\$'000	Treasury and others HK\$'000	Elimination HK\$'000	Total HK\$'000
<u>Six months ended 30 June 2016</u>								
Total income – external	19,490	655,389	175,917	101,738	6,602	184,024	-	1,143,160
Total income – inter-segment	-	-	7,577	-	-	29,031	(36,608)	-
Commission and clearing expense	(4)	(272,699)	(5,650)	(6)	-	(197)	-	(278,556)
Depreciation	-	(160)	(10)	(3)	-	(4)	-	(177)
Other operating expenses	(80,749)	(196,950)	(67,932)	(27,382)	-	12,138	-	(360,875)
Finance costs – external	-	(2,321)	(7,325)	-	-	(59,774)	-	(69,420)
Finance costs – inter-segment	-	-	(29,031)	-	-	(7,577)	36,608	-
Segment results	(61,263)	183,259	73,546	74,347	6,602	157,641	-	434,132
Unallocated cost								(236,494)
Operating profits								197,638
<u>Six months ended 30 June 2015</u>								
Total income – external	73,939	2,227,050	324,907	107,446	9,926	47,017	-	2,790,285
Total income – inter-segment	-	-	14,945	-	-	55,429	(70,374)	-
Commission and clearing expense	(5)	(612,041)	(6,777)	(30)	-	(247)	-	(619,100)
Depreciation	(43)	(921)	(15)	(25)	-	(5)	-	(1,009)
Other operating expenses	(69,657)	(177,229)	(88,177)	(45,420)	(6,421)	7,844	-	(379,060)
Finance costs – external	-	(3,382)	(14,088)	(5)	(5)	(119,646)	-	(137,126)
Finance costs – inter-segment	-	-	(54,538)	-	(891)	(14,945)	70,374	-
Segment results	4,234	1,433,477	176,257	61,966	2,609	(24,553)	-	1,653,990
Unallocated cost								(207,328)
Operating profits								1,446,662

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**4 Revenue and trading (loss)/gain, net**

**(a) Revenue**

	Unaudited Six month ended 30 June	
	2016 HK\$	2015 HK\$
Brokerage commission	526,265,152	1,290,209,395
Underwriting and placement commission	124,787,454	153,450,155
Corporate finance and loan syndication fees	100,438,134	45,857,399
Interest income from bank deposits and loans to customers	321,243,203	444,202,217
Dividend income from listed equities held for trading	11,063,408	26,947,781
	<u>1,083,797,351</u>	<u>1,960,666,947</u>

**(b) Trading (loss)/gain, net**

	2016 HK\$	2015 HK\$
Net realised/unrealised gain/(loss) on financial assets and financial liabilities		
- Equity securities	(337,894,211)	677,158,942
- Debt securities	93,602,925	126,596,231
- Derivative financial instruments	127,487,568	(130,538,211)
	<u>(116,803,718)</u>	<u>673,216,962</u>

**5 Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (first half of 2015: 16.5%) on the estimated assessable profit for the first half of the years. The amount of taxation charged to the condensed consolidated income statement represents:

	Unaudited Six months ended 30 June	
	2016 HK\$	2015 HK\$
Current income tax:		
- Hong Kong profits tax	39,188,793	217,304,216
- Overseas taxation	-	942,034
Deferred income tax credit	(24,152,295)	(241,920)
	<u>15,036,498</u>	<u>218,004,330</u>

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**6 Plant and equipment**

During the six months ended 30 June 2016, the Group did not spend (first half of 2015: Nil) on the acquisitions of plant and equipment.

**7 Available-for-sale financial assets**

	Unaudited At 30 June 2016 HK\$	Audited At 31 December 2015 HK\$
Non-current assets, at fair value		
- Club debentures, unlisted	355,000	355,000
	<u>355,000</u>	<u>355,000</u>

**8 Financial assets at fair value through profit or loss**

	Unaudited At 30 June 2016 HK\$	Audited At 31 December 2015 HK\$
Trading securities, at fair value		
- Equity securities, listed in Hong Kong	2,426,467,151	3,498,438,235
	<u>2,426,467,151</u>	<u>3,498,438,235</u>

**9 Held-to-maturity financial assets**

	Unaudited At 30 June 2016 HK\$	Audited At 31 December 2015 HK\$
Hong Kong Exchange Fund Bills, unlisted	149,985,646	150,000,000
	<u>149,985,646</u>	<u>150,000,000</u>
Analysed by type of issuers as follows:		
Sovereigns	149,985,646	150,000,000
	<u>149,985,646</u>	<u>150,000,000</u>

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**10 Derivative financial instruments**

The Group enters into the following equity and foreign exchange derivative financial instruments for trading and risk management purposes. The types of derivatives utilised by the Group are shown in the following table:

Derivatives	Description
Forwards and futures	These instruments are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the over-the-counter (OTC) market, whereas futures are standardised contracts transacted on regulated exchanges.
Options	Options are contractual agreements under which, typically, the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified quantity of a financial instrument or commodity at a predetermined price. The purchaser pays a premium to the seller for this right. Options involving more complex payment structures are also transacted. Options may be traded OTC or on a regulated exchange, and may be traded in the form of a security (warrant).
Swaps	These are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. Most swaps are traded OTC. The major types of swap transactions undertaken by the Group are interest rate swaps, credit default swaps and equity swaps.

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**10 Derivative financial instruments (Continued)**

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 in the condensed consolidated statement of financial position. 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 or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial instruments assets and liabilities can fluctuate significantly from time to time.

	Notional amount HK\$'000	Unaudited At 30 June 2016	
		Assets HK\$	Liabilities HK\$
Exchange rate contracts	3,138,453	10,010,759	6,272,135
Equity contracts	10,628,898	195,104,850	287,920,168
		205,115,609	294,192,303
		205,115,609	294,192,303
	Notional amount HK\$'000	Audited At 31 December 2015	
		Assets HK\$	Liabilities HK\$
Exchange rate contracts	6,115,513	16,713,266	17,579,755
Equity contracts	8,504,715	123,508,786	255,538,356
		140,222,052	273,118,111
		140,222,052	273,118,111

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**11 Loans and receivables**

	Unaudited At 30 June 2016 HK\$	Audited At 31 December 2015 HK\$
Accounts receivable from dealing in securities	8,273,098,198	6,334,091,250
Accounts receivable from securities trading	-	132,601
Loans to customers	12,987,405,199	16,916,298,469
Fees and commission receivable	79,224,093	70,633,251
Deposits, prepayments and other receivables	75,485,902	175,898,875
	<hr/>	<hr/>
Gross	21,415,213,392	23,497,054,446
Impairment allowance	(21,315,018)	(19,550,755)
	<hr/>	<hr/>
	<u>21,393,898,374</u>	<u>23,477,503,691</u>

Loans to customers, which include receivables from margin clients of approximately HK\$8,704 million (end of 2015: approximately HK\$11,834 million), were secured by listed securities and a cash deposit. The Group is permitted to sell or re-pledge such collateral.

The receivables have excluded the brokerage client monies maintained in the trust accounts with Hong Kong Futures Exchange Clearing Corporation Limited and the Stock Exchange Options Clearing House.

**12 Cash and balances with banks**

	Unaudited At 30 June 2016 HK\$	Audited At 31 December 2015 HK\$
Cash at bank and in hand	2,511,266,245	3,011,541,543
Short-term bank deposits		
– with original maturity within three months	5,756,437,372	6,131,187,802
– with original maturity over three months	1,574,038,343	23,891,849
	<hr/>	<hr/>
	<u>9,841,741,960</u>	<u>9,166,621,194</u>

The Group maintains trust accounts with authorised institutions and other financial institutions as part of its normal business transactions. At 30 June 2016, trust accounts with authorised institutions and other financial institutions not otherwise dealt with in the consolidated financial statements amounted to approximately HK\$32,579 million (end of 2015: HK\$35,780 million).

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**13 Amounts due to fellow subsidiaries**

Amounts due to fellow subsidiaries are non-interest bearing with carrying balances approximating their fair value.

During the period, the Group has entered into securities borrowing and lending arrangements with a fellow subsidiary. Under securities borrowing and lending agreements, cash collateral was required for securities borrowed and lent respectively. No interest was charged on the collateral deposits received and placed.

As at 30 June 2016, the Group has borrowed equity securities with market value of HK\$601,378,481 (end of 2015: HK\$339,989,805) from a fellow subsidiary and placed a cash collateral of HK\$591,244,785 (end of 2015: HK\$449,531,610) and lent equity securities with market value of HK\$2,200,608,862 (end of 2015: HK\$3,304,305,657) to a fellow subsidiary and received a cash collateral of HK\$2,014,077,085 (end of 2015: HK\$3,260,209,300).

**14 Amounts due from/to the immediate holding company/a related company/subordinated loans from the immediate holding company**

Amounts due to the immediate holding company for daily administrative activities are unsecured, interest free and repayable upon demand.

Amounts due from/ to the immediate holding company for cash management and general funding purpose are unsecured and bear prevailing market interest rate and repayable within 1 year.

Amounts due to a related company are unsecured, interest-free and repayable upon demand with carrying balances approximating their fair value.

Subordinated loans were borrowed from the immediate holding company of HK\$2,500,000,000 (end of 2015: HK\$2,500,000,000), which are unsecured and bear interest at commercial interest rates.

The loans were approved by the Hong Kong Securities and Futures Commission as subordinated loans for exclusion from ranking liabilities in accordance with section 53(2) of the Hong Kong Securities and Futures (Financial Resources) Rules in the computation of regulatory liquid capital.

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**15 Accounts and other payables**

	Unaudited At 30 June 2016 HK\$	Audited At 31 December 2015 HK\$
Accounts payable from dealing in securities	9,200,458,516	6,611,645,653
Accounts payable from securities trading	339,285	454,627
Discretionary bonus payable	535,863,221	540,496,365
Others payables and accrued expenses	375,882,665	215,210,374
	<u>10,112,543,687</u>	<u>7,367,807,019</u>

The carrying amounts of accounts payable approximate their fair value. All accounts payables are non-interest bearing.

Accounts payable represent amounts due to brokerage clients, brokers and clearing houses, and are due within one month. Accounts payable to clients exclude those payables placed in trust accounts with authorized institutions, Hong Kong Futures Exchange Corporation Limited and Stock Exchange Options Clearing House.

**16 Deposits from customers**

Majority of the deposits from customers are time, call and notice deposits and maturing within three months.

**17 Financial liabilities at fair value through profit or loss**

	Unaudited At 30 June 2016 HK\$	Audited At 31 December 2015 HK\$
Trading securities, at fair value		
- Equity securities, listed in Hong Kong	499,370,158	221,996,628
	<u>499,370,158</u>	<u>221,996,628</u>



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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**18 Share capital**

	Unaudited At 30 June 2016 HK\$	Audited At 31 December 2015 HK\$
Issued and fully paid: 200,000 (2015: 200,000) ordinary shares	2,000,000,000	2,000,000,000

**19 Contingent liabilities and commitments**

Commitments under operating leases

The Group had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	Unaudited At 30 June 2016 HK\$	Audited At 31 December 2015 HK\$
Land and buildings:		
Less than one year	31,556,442	32,335,230
Between one and five years	48,963,550	32,484,182
	<u>80,519,992</u>	<u>64,819,412</u>

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**20 Material 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 or common significant influence. Related parties can be individuals or other entities.

During the period, save as disclosed in the above notes, the Group entered into various transactions with related parties. These transactions were conducted on normal commercial terms.

Summary of material transactions entered into during the ordinary course of business with fellow subsidiaries and associates in BOCI Group and other subsidiaries of Bank of China Limited are as follows:

	Unaudited Six months ended 30 June	
	2016	2015
Condensed consolidated income statement items:	HK\$'000	HK\$'000
Interest income from bank deposits & others	55,912	61,314
Brokerage commission	201,215	511,430
Corporate finance and loan syndication fees	80,867	21,681
Other handling income	56,585	308
Underwriting and placement commission	78,205	22,624
Management fee income	52,436	33,515
Interest expense from loans and customer deposits	(57,839)	(105,883)
Commission expenses arising from brokerage activities	(69,366)	(166,809)
Management fee expense	(236,494)	(189,328)
Operating lease rental in respect of leased premises	(28,970)	(27,317)
	<u>                    </u>	<u>                    </u>