

**BOCI ASIA LIMITED**  
中銀國際亞洲有限公司

**2012 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 2012**

		Unaudited Six months ended 30 June	
	Note	2012 HK\$	2011 HK\$
Turnover	4	985,458,802	1,240,144,563
Other revenue		128,486,957	40,114,959
Total revenue		<u>1,113,945,759</u>	<u>1,280,259,522</u>
Commission and clearing expenses		(216,144,256)	(316,612,466)
Staff costs		(185,662,259)	(180,263,275)
Operating lease rental in respect of leased premises		(25,041,617)	(24,972,355)
Depreciation and amortisation		(4,964,928)	(12,733,949)
Information technology and communications expenses		(51,882,056)	(59,096,456)
Management fee to related companies		(162,021,469)	(148,382,696)
Other operating expenses		(39,654,228)	(48,903,247)
		<u>(685,370,813)</u>	<u>(790,964,444)</u>
Finance costs		(84,903,088)	(46,274,259)
Profit before taxation		343,671,858	443,020,819
Income tax expense	5	(39,287,640)	(60,499,917)
Profit for the period		<u>304,384,218</u>	<u>382,520,902</u>
Profit attributable to:			
Equity holders of the Company		<u>304,384,218</u>	<u>382,520,902</u>

**BOCI ASIA LIMITED**  
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	Unaudited Six months ended 30 June	
	2012 HK\$	2011 HK\$
Profit for the period	304,384,218	382,520,902
Other comprehensive income for the period		
Net change in fair value of available-for-sale assets	(480,000)	171,210
Total comprehensive income for the period	<u>303,904,218</u>	<u>382,692,112</u>
Total comprehensive income attributable to: Equity holders of the Company	<u>303,904,218</u>	<u>382,692,112</u>

**BOCI ASIA LIMITED**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2012**

	Note	Unaudited 30 June 2012 HK\$	Audited 31 December 2011 HK\$
<b>ASSETS</b>			
Non-current assets			
Plant and equipment	6	8,397,288	15,033,800
Intangible assets		51,677,637	50,006,537
Deferred income tax assets		54,835,690	55,552,303
Available-for-sale financial assets	7	355,000	1,255,000
Statutory deposits and other assets		11,042,607	9,858,444
		<u>126,308,222</u>	<u>131,706,084</u>
Current assets			
Financial assets at fair value through profit or loss	8	1,158,928,366	475,874,742
Derivative financial instruments	9	92,696,084	123,545,061
Loans and other receivables	10	16,016,321,180	11,187,203,309
Cash and balances with banks		5,660,739,123	13,515,017,098
Taxation recoverable		31,939,948	11,665,176
		<u>22,960,624,701</u>	<u>25,313,305,386</u>
Total assets		<u>23,086,932,923</u>	<u>25,445,011,470</u>
<b>LIABILITIES</b>			
Current liabilities			
Bank loans and other borrowings-unsecured		217,601,348	465,905,219
Amount due to immediate holding company		4,230,231,810	2,569,339,051
Subordinated loan from immediate holding company	12	2,285,000,000	2,285,000,000
Amount due to fellow subsidiaries	11	950,108,154	199,999,952
Accounts and other payables	13	6,604,989,198	4,603,121,700
Deposits from customers	14	4,669,436,121	11,313,719,258
Derivative financial instruments	9	106,228,656	150,439,868
Financial liabilities at fair value through profit or loss	15	81,845,352	237,605,400
Taxation payable		37,586,675	19,800,968
		<u>19,183,027,314</u>	<u>21,844,931,416</u>
Non current liabilities			
Deferred income tax liabilities		225,370	304,033
Total liabilities		<u>19,183,252,684</u>	<u>21,845,235,449</u>

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AT 30 JUNE 2012**

	Note	Unaudited 30 June 2012 HK\$	Audited 31 December 2011 HK\$
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital	16	2,000,000,000	2,000,000,000
Reserve for fair value change of available-for-sale financial assets		15,000	495,000
Retained earnings		1,903,665,239	1,599,281,021
		<u>3,903,680,239</u>	<u>3,599,776,021</u>
		-----	-----
Total liabilities and equity		<u><u>23,086,932,923</u></u>	<u><u>25,445,011,470</u></u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	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 2012	2,000,000,000	495,000	1,599,281,021	3,599,776,021
Comprehensive income for the period	-	(480,000)	304,384,218	303,904,218
Balance at 30 June 2012	<u>2,000,000,000</u>	<u>15,000</u>	<u>1,903,665,239</u>	<u>3,903,680,239</u>
Balance at 1 January 2011	2,000,000,000	323,790	1,328,188,549	3,328,512,339
Comprehensive income for the period	-	171,210	382,520,902	382,692,112
Balance at 30 June 2011	<u>2,000,000,000</u>	<u>495,000</u>	<u>1,710,709,451</u>	<u>3,711,204,451</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2012**

	Unaudited Six months ended 30 June	
	2012 HK\$	2011 HK\$
Net cash (outflow) / inflow from operating activities	(7,606,925,025)	3,380,761,792
Net cash outflow from investing activities	(2,055,263)	(9,109,894)
Net cash used in financing activities	-	(1,111,992,690)
	-----	-----
Net (decrease)/ increase in cash and cash equivalents	(7,608,980,288)	2,259,659,208
Cash and cash equivalents at 1 January	13,207,571,786	3,320,758,349
Cash and cash equivalents at 30 June	<u>5,598,591,498</u>	<u>5,580,417,557</u>
Analysis of balance of cash and cash equivalents		
Bank and cash balance	<u>5,598,591,498</u>	<u>5,580,417,557</u>

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**1 Basis of preparation**

The interim reports of BOCI Asia Limited and its subsidiaries (“the Group”) are 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 financial statements for the year ended 31 December 2011.

**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 in different strategic business segments according to the nature of customers served as well as products and services offered. The Group’s operating business segment and structure follows 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 BOCI Group are as follows:

Investment banking: Provides a wide range of securities origination services for issuer clients, including underwriting and placement of public and private equity, debt and related securities.  
Advices clients on mergers, acquisitions and restructurings.

Brokerage & wealth management: Provides brokerage and securities margin financing services to individual and institutional clients. Facilitates client transactions and makes market in equity products. Provide private banking services.

Financial products : Facilitates client transactions in fixed income securities, derivatives, currencies, commodities and other financial instruments. Engages in principal and in proprietary trading activities.

Leveraged & structured finance : Provides structured financing and financial advisory services.



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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**3 Segment information (Continued)**

The Group's business segment results for six months ended 30 June 2012 is as follows:

Unaudited

	Investments banking HK\$'000	Brokerage & wealth management HK\$'000	Financial products HK\$'000	Leveraged & structured finance HK\$'000	Treasury and Others HK\$'000	Elimination HK\$'000	Total HK\$'000
<u>Six months ended</u>							
<u>30 June 2012</u>							
Total revenue – external	106,414	865,318	95,716	13,711	78,163	-	1,159,322
Total revenue – inter-segment	-	55,674	-	-	29,275	(84,949)	-
Commission and clearing expense	-	(215,200)	(4)	(33)	(907)	-	(216,144)
Depreciation	(132)	(4,664)	(116)	(43)	(10)	-	(4,965)
Other operating expenses	(66,740)	(239,761)	(36,052)	(6,850)	97	-	(349,306)
Finance costs – external	-	(54,169)	(2)	(13)	(29,030)	-	(83,214)
Finance costs – inter-segment	-	(28,461)	-	(814)	(55,674)	84,989	-
Segment results	39,542	378,737	59,542	5,958	21,914	-	505,693
Unallocated cost							(162,021)
Operating profits							343,672
<u>Six months ended</u>							
<u>30 June 2011</u>							
Total revenue – external	103,695	976,305	128,546	20,320	51,394	-	1,280,260
Total revenue – inter-segment	-	11,996	-	-	18,585	(30,581)	-
Commission and clearing expense	-	(310,456)	(5,307)	(32)	(818)	-	(316,613)
Depreciation	(225)	(10,981)	(1,305)	(48)	(175)	-	(12,734)
Other operating expenses	(64,220)	(186,545)	(54,585)	(6,294)	(6,063)	-	(317,707)
Finance costs – external	-	(15,283)	(344)	(13)	(30,634)	-	(46,274)
Finance costs – inter-segment	-	(15,196)	(1,306)	(2,083)	(11,996)	30,581	-
Segment results	39,250	449,840	65,699	11,850	20,293	-	586,932
Unallocated cost							(143,911)
Operating profits							443,021

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**4 Turnover**

	Unaudited Six month ended 30 June	
	2012 HK\$	2011 HK\$
Fees and commission income	705,845,765	1,032,125,323
Net realised/unrealised gain/(loss) on trading securities, financial assets and financial liabilities	7,105,061	(64,470,218)
Interest income	231,482,078	213,326,195
Dividend income from financial assets held for trading	41,025,898	59,163,263
	<u>985,458,802</u>	<u>1,240,144,563</u>

**5 Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (first half of 2011: 16.5%) on the estimated assessable profit for the first half of 2012. The amount of taxation charged to the condensed consolidated income statement represents:

	Unaudited Six months ended 30 June	
	2012 HK\$	2011 HK\$
Current income tax:		
- Hong Kong profits tax	37,792,080	61,950,645
- Overseas taxation	1,308,350	216,100
- Under provisions in prior years	-	6,546
Deferred income tax expense/(credit)	187,210	(1,673,374)
	<u>39,287,640</u>	<u>60,499,917</u>

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**6 Plant and equipment**

During the six months ended 30 June 2012, the Group spent HK\$Nil (first half of 2011: HK\$1,639,328) on the acquisitions of plant and equipment.

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

	Unaudited At 30 June 2012 HK\$	Audited At 31 December 2011 HK\$
Non-current assets, at fair value		
- Club debentures, unrated	355,000	1,255,000

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

	Unaudited At 30 June 2012 HK\$	Audited At 31 December 2011 HK\$
Trading securities, at fair value		
- Equity securities, listed in Hong Kong	1,158,928,366	475,874,742

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**9 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 foreign exchange swaps.

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 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.

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**9 Derivative financial instruments (Continued)**

	Notional amount HK\$'000	Unaudited At 30 June 2012	
		Assets HK\$	Liabilities HK\$
Exchange rate contracts	9,130,827	36,495,081	3,368,878
Equity contracts	4,140,530	56,201,003	102,859,778
		<u>92,696,084</u>	<u>106,228,656</u>
	Notional amount HK\$'000	Audited At 31 December 2011	
		Assets HK\$	Liabilities HK\$
Exchange rate contracts	11,097,525	12,002,912	10,256,895
Equity contracts	2,527,110	111,542,149	140,182,973
		<u>123,545,061</u>	<u>150,439,868</u>

**10 Loans and other receivables**

	Unaudited	Audited
	At 30 June 2012 HK\$	At 31 December 2011 HK\$
Accounts receivable from dealing in securities	4,392,154,940	3,792,424,996
Accounts receivable from securities trading	1,885,898,585	49,554,450
Amount due from an associated company	90,624,993	64,458,000
Loans to customers	9,545,386,446	7,184,796,478
Fees and commission receivable	70,447,140	59,105,456
Deposits, prepayments and other receivables	32,061,181	37,116,034
Gross	<u>16,016,573,285</u>	<u>11,187,455,414</u>
Impairment allowance	(252,105)	(252,105)
Total	<u>16,016,321,180</u>	<u>11,187,203,309</u>

Loans to customers, which include receivable from margin clients of HK\$6,197 million (end of 2011: HK\$6,180 million), are secured by client's pledged securities, repayable on demand and bear interest at commercial rates. 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.

The movement in individually assessed impairment allowance on loans to customers is insignificant. As of 30 June 2012, fee receivables of HK\$252,105 (end of 2011: HK\$252,105) were fully impaired and provided for. The individually impaired receivables mainly related to uncertain recoverability.

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**11 Amounts due to fellow subsidiaries**

Amounts due from/to fellow subsidiaries are non-interest bearing. The carrying balance of the amounts due to fellow subsidiaries approximates their fair value.

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

As at 30 June 2012, the Group has borrowed securities with market value of HK\$116,620,930 (end of 2011: HK\$289,666,982) from a fellow subsidiary and placed a cash collateral of HK\$114,586,639 (end of 2011: HK\$264,897,181) and lent securities with market value of HK\$1,011,693,235 (end of 2011: HK\$394,686,756) to the fellow subsidiary and received a cash collateral of HK\$1,063,889,935 (end of 2011: HK\$463,772,435).

**12 Subordinated loan from immediate holding company**

Subordinated loan was borrowed from immediate holding company of HK\$2,285,000,000, which is unsecured and bears interest at commercial interest rates. The carrying balance of the amount due from/to immediate holding company approximates their fair value.

The Group was provided subordinated loan from immediate holding company. The loan was approved by the Hong Kong Securities and Futures Commission as subordinated loan 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.

**13 Accounts and other payables**

	Unaudited At 30 June 2012 HK\$	Audited At 31 December 2011 HK\$
Accounts payable from dealing in securities	5,973,449,478	4,229,326,186
Accounts payable from securities trading	344,439,371	4,012,856
Discretionary bonus payable	200,505,221	278,447,605
Others payables and accrued expenses	86,545,128	91,335,053
	<u>6,604,939,198</u>	<u>4,603,121,700</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 Clearing Corporation Limited and Stock Exchange Options Clearing House.

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**14 Deposits from customers**

Majority of the deposits from customers are time call and notice deposits and maturing within three months. The carrying amounts of deposits from customers approximate their fair value.

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

	Unaudited At 30 June 2012 HK\$	Audited At 31 December 2011 HK\$
Trading securities, at fair value		
- Equity securities, listed in Hong Kong	81,845,352	237,605,400
	<u>81,845,352</u>	<u>237,605,400</u>

**16 Share capital**

	Unaudited At 30 June 2012 HK\$	Audited At 31 December 2011 HK\$
Authorised, issued and fully paid: 200,000 ordinary shares of HK\$10,000 each	2,000,000,000	2,000,000,000
	<u>2,000,000,000</u>	<u>2,000,000,000</u>

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**17 Contingent liabilities and commitments**

(a) Commitments under operating leases

At 30 June 2012, the Group had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	Unaudited At 30 June 2012 HK\$	Audited At 31 December 2011 HK\$
Land and buildings:		
Less than one year	27,375,172	36,226,592
Between one and five years	1,873,440	10,173,778
	<u>29,248,612</u>	<u>46,400,370</u>
Equipments:		
Less than one year	378,287	436,899
Between one and five years	6,572	184,670
	<u>384,859</u>	<u>621,569</u>

(b) Loan commitment

The Group has no irrevocable loan commitment as at 30 June 2012 and 31 December 2011 for a period expiring within one year.



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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**18 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, same 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 BOC International Holdings Limited and other subsidiaries of Bank of China Limited are as follows:

Income statement items	Six months ended 30 June	
	2012 HK\$	2011 HK\$
Interest income from bank deposits	58,071	43,325
Brokerage commission	222,544	391,525
Dividend income	9,579	2,895
Other fees and commission income	26,167	4,322
Net realised/unrealised gain on financial assets and financial liabilities	16,704	3,699
Interest expense from bank loans and customer deposit	(30,401)	(31,465)
Commission expenses arising from brokerage	(67,623)	(148,761)
	<u>          </u>	<u>          </u>