BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED

30th JUNE 2015

With amendments in:

BPI INTERNATIONAL FINANCE LIMITED

REPORT OF THE DIRECTORS

The directors of BPI International Finance Limited (the "Company") are pleased to announce that the unaudited consolidated interim results of the Company's and its subsidiaries (the "Group") operations for the six months ended 30th June 2015 .

Principal activities

The Company is a deposit-taking company registered under the Hong Kong Banking Ordinance. The Company is licensed under the Hong Kong Securities and Futures Ordinance for dealing in securities, advising on securities and asset management activities. Its principal activities are the provision of financial services and dealing in securities on behalf of customers. The principal activities of its associate and subsidiaries are set out in Notes 13 and 14 to the consolidated financial statements respectively.

Results and appropriations

The results of the Group for the period ended 30th June 2015 are set out in the consolidated statement of comprehensive income on page 3.

The directors do not recommend the payment of a dividend (2014: Nil).

Reserves

Movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 6 and statement of changes in equity on page 7 respectively.

Fixed assets

Details of the movements in fixed assets of the Group and the Company are shown in Note 15 to the consolidated financial statements.

Directors

The directors of the Company during the year and up to the date of this report were:

Mario Antonio V. Paner
Estelito C. Biacora
Marie Christine O. Lopez (Resigned 20th April 2015)
Jose Esteban Salvan
Joseph Albert L. Gotuaco
Tomas S. Chuidian
Edgardo O. Madrilejo

In accordance with Article 85(a) of the Company's Articles of Association, all directors retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

BPI INTERNATIONAL FINANCE LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Directors' interests

No contracts of significance in relation to the Company's business to which the Company, any of its subsidiaries, fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

At no time during the year was the Company, its subsidiaries, its associated company, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Compliance with the Banking (Disclosure) Rules

The Company is required to comply with the Banking (Disclosure) Rules. The Banking (Disclosure) Rules set out the minimum standards for public disclosure which authorized institutions must make in respect of the statement of comprehensive income, its state of affairs and capital adequacy. The financial statements for the financial period ended 30th June 2015 comply fully with the applicable disclosure provisions of the Banking (Disclosure) Rules.

On behalf of the Board

Chairman

Hong Kong,

BPI INTERNATIONAL FINANCE LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Unaudited)
FOR THE PERIOD ENDED 30TH JUNE 2015

	Note	For the six months ended 30/06/2015 HK$'000	30/06/2014 HK$'000
Interest income	4	3,023	3,039
Interest expense		(1,060)	(1,073)
Net interest income		1,963	1,966
Other operating income	5	14,020	11,873
Operating income		15,983	13,839
Operating expenses	6	(12,935)	(9,258)
Profit before taxation		3,048	4,581
Income tax expense	7	(482)	(759)
Profit for the year		2,566	3,822
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of available-for-sale securities, net of tax		329	72
Total comprehensive income for the period		2,897	3,894

The notes on pages 8 to 28 are an integral part of these consolidated financial statements.

BPI INTERNATIONAL FINANCE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT 30TH JUNE 2015

	Note	As at 30/06/2015 HK$'000	As at 31/12/2014 HK$'000
Assets			
Cash and short-term funds	8	200,777	118,491
Placements with banks and other financial institutions maturing between one and twelve months	9	62,105	54,262
Held-to-maturity securities	10	60,817	63,646
Advances and other accounts	11	70,161	83,004
Current tax assets		-	356
Available-for-sale securities	12	129,627	122,823
Investment in associate	13	-	-
Fixed assets	15	2,586	2,472
Deferred tax assets		77	77
Total assets		526,150	445,131
Liabilities			
Deposits from customers	16	340,874	264,686
Other payables		8,062	6,146
Tax payable		20	-
Deferred tax liabilities		-	-
Total liabilities		348,956	270,832
Equity			
Share capital		75,000	75,000
Retained earnings		102,153	99,587
Investment revaluation reserve		41	(288)
		177,194	174,299
Total equity and liabilities		526,150	445,131

Jose Esteban J. Salvan
Director

Mario Antonio V. Paner
Director

BPI INTERNATIONAL FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT 30TH JUNE 2015

	Note	As at 30/06/2015 HK$'000	As at 31/12/2014 HK$'000
Assets			
Cash and short-term funds	8	190,120	107,683
Placements with banks and other financial institutions maturing between one and twelve months	9	53,573	45,758
Held-to-maturity securities	10	60,817	63,646
Advances and other accounts	11	69,414	82,246
Current tax asset		-	327
Available-for-sale securities	12	129,627	122,823
Investment in associate	13	-	-
Investment in subsidiaries	14	500	500
Fixed assets	15	2,523	2,405
Deferred tax assets		77	77
Total assets		506,651	425,465
Liabilities			
Deposits from customers	16	340,874	264,686
Other payables		6,859	4,034
Tax payable		20	-
Total liabilities		347,753	228,720
Equity			
Share capital		75,000	75,000
Retained earnings		83,857	82,033
Investment revaluation reserve		41	(288)
		158,898	156,745
Total equity and liabilities		506,651	425,465

Jose Esteban J. Salvan
Director

Mario Antonio V. Paner
Director

The notes on pages 8 to 28 are an integral part of these consolidated financial statements.

BPI INTERNATIONAL FINANCE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE PERIOD ENDED 30TH JUNE 2015

	Share capital HK$'000	Investment revaluation reserve HK$'000	Retained earnings[1] HK$'000	Total HK$'000
At 1st January 2014	75,000	(45)	93,612	168,567
Comprehensive income				
Profit for the year	-	-	5,975	5,975
Other comprehensive income				
Change in fair value of available-for-sale securities, net of tax	-	(243)	-	(243)
Total comprehensive income for the year	-	(243)	5,975	5,732
At 31st December 2014 and 1 January 2015	75,000	(288)	99,587	174,299
Comprehensive income				
Profit for the period	-	-	2,566	2,566
Other comprehensive income				
Change in fair value of available-for-sale securities, net of tax	-	329	-	329
Total comprehensive income for the period	-	329	2,566	2,895
At 30th June 2015	75,000	41	102,153	177,194

[1] As at 30th June 2015, an amount of HK$1,691,649 (2014: HK$1,691,649) was earmarked from retained earnings as a regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve, if any, are made directly through retained earnings following consultation with the Hong Kong Monetary Authority.

The notes on pages 8 to 28 are an integral part of these consolidated financial statements.

BPI INTERNATIONAL FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY (Unaudited)
FOR THE PERIOD ENDED 30th JUNE 2015

	Share capital HK$'000	Investment revaluation reserve HK$'000	Retained earnings[1] HK$'000	Total HK$'000
At 1st January 2014	75,000	(45)	76,924	151,879
Comprehensive income				
Profit for the year	-	-	5,109	5,109
Other comprehensive income				
Change in fair value of available-for-sale securities, net of tax	-	(243)	-	(243)
Total comprehensive income for the year	-	(243)	5,109	4,866
At 31st December 2014 and 1 January 2015	75,000	(288)	82,033	156,745
Comprehensive income				
Profit for the period	-	-	1,824	1,824
Other comprehensive income				
Change in fair value of available-for-sale securities, net of tax	-	329	-	329
Total comprehensive income for the period	-	329	1,824	2,153
At 30th June 2015	75,000	41	83,857	158,898

[1] As at 30th June 2015, an amount of HK$1,691,649 (2014: HK$1,691,649) was earmarked from retained earnings as a regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve, if any, are made directly through retained earnings following consultation with the Hong Kong Monetary Authority.

The notes on pages 8 to 27 are an integral part of these consolidated financial statements.

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

1 General information

The principal activities of BPI International Finance Limited (the "Company") and its subsidiaries (together the "Group") are the provision of financial services and dealing in securities on behalf of customers. The Company is a deposit-taking company registered under the Hong Kong Banking Ordinance and licensed under the Hong Kong Securities and Futures Ordinance for dealing in securities, advising on securities and asset management activities.

The Company is incorporated in Hong Kong and its registered office is 23/F Entertainment Building, 30 Queen's Road Central, Hong Kong.

These consolidated financial statements are presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated.

2 Summary of significant accounting policies

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit" as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. The adoption of HKAS 36 only affects the disclosure of the financial statements but does not affect the results and operations.

Amendments to HKFRS 10, 12 and HKAS 27, 'Consolidation for investment entities'. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made HKFRS 12 to introduce disclosures that an investment entity needs to make. The amendments do not have significant impact to the Group's financial statements.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) New and amended standards adopted by the Group (Continued)

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKAS 15.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30th June.

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiaries are consolidated into the financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investment in subsidiaries is stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associate

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The investment in the associate is accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its associate's post-acquisition profits or losses is recognised in the statement of comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

In the Company's balance sheet, the investment in the associate is stated at cost less allowance for impairment losses. The result of the associate is accounted for by the Company on the basis of dividend received and receivable.

2 Summary of significant accounting policies (Continued)

(d) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(e) Fee and commission income and expense

Fee and commission income and expense are generally recognised on an accrual basis when the service has been provided.

Service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis.

Commission income is recognized on completion of the underlying transactions.

(f) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, held-to-maturity securities and available-for-sale securities. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables include cash and short-term funds, placements with banks and other financial institutions and advances to customers. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Loans and receivables are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method less impairment losses.

2 Summary of significant accounting policies (Continued)

(f) Financial assets (Continued)

(i) Held-to-maturity securities

Held-to-maturity securities are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(ii) Available-for-sale securities

Available-for-sale securities are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or not classified in any of the other categories.

Available-for-sale securities are stated at fair value. Unrealised gains and losses arising from changes in the fair value are recognised directly in the investment revaluation reserve until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in the investment revaluation reserve is recognised in the statement of comprehensive income.

Purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(g) Fair value estimation of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date.

(h) Impairment of financial assets

(i) Financial assets carried at amortized cost

The Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 Summary of significant accounting policies (Continued)

(h) Impairment of financial assets (Continued)

(i) Financial assets carried at amortized cost (Continued)

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

(i) significant financial difficulty of the issuer or obligor;
(ii) a breach of contract, such as a default or delinquency in interest or principal payments;
(iii) the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
(iv) it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;
(v) the disappearance of an active market for that financial asset because of financial difficulties; or
(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the Group; or
  - national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes that asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If the financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

2 Summary of significant accounting policies (Continued)

(h) Impairment of financial assets (Continued)

(i) Financial assets carried at amortized cost (Continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, overdue status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowances for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

(ii) Financial assets classified as available-for-sale

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 Summary of significant accounting policies (Continued)

(i) Financial liabilities

Financial liabilities are initially recognized at fair value net of transaction costs incurred, and subsequently, carried at amortized cost. Any difference between proceeds net of transaction costs and the redemption value is recognized in the statement of comprehensive income over the period of the financial liabilities using the effective interest method.

(j) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(k) Impairment of investment in subsidiaries and associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, but are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Fixed assets

Fixed assets are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation of fixed assets is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold improvements	over the remaining period of lease
Furniture, fixtures and equipment	20% - 33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 Summary of significant accounting policies (Continued)

(m) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In this case the tax is also recognised in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associate operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred taxation is charged or credited in the statement of comprehensive income except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity, such as the revaluation of premises.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are recognised when the absences occur.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes under either recognised ORSO schemes or MPF schemes that are available to the Group's employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries for the ORSO schemes and in accordance with the MPF rules for MPF schemes. The retirement benefit scheme costs are charged to the statement of comprehensive income as incurred and represent contributions payable by the Group to the schemes. Contributions made by the Group that are forfeited by those employees who leave the ORSO scheme prior to the full vesting of their entitlement to the contributions are used by the Group to reduce the existing level of contributions or to meet its expenses under the trust deed of the ORSO schemes.

2 Summary of significant accounting policies (Continued)

(n) Employee benefits (Continued)

(ii) Pension obligations (Continued)

The assets of the schemes are held in independently-administered funds separate from those of the Group.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(p) Translation of foreign currencies

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions are recognised directly in the statement of comprehensive income. Assets and liabilities denominated in foreign currencies are translated at the closing rate at the balance sheet date. The differences arising from translation are recognised in the statement of comprehensive income except for translation differences on non-monetary items such as equity classified as available for-sale securities are included in the investment revaluation reserve in equity.

(q) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the statement of comprehensive income on a straight-line basis over the period of the lease.

(r) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised as a provision but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

2 Summary of significant accounting policies (Continued)

(r) Contingent liabilities and contingent assets (Continued)

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When the inflow is virtually certain, it will be recognised as an asset.

(s) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise balances with original maturity less than three months from the date of acquisition, including cash and balances with banks and other financial institutions.

(t) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if that party controls, jointly controls or has significant influence over the Group; is a member of the same financial reporting group, such as parents, subsidiaries and fellow subsidiaries; is an associate or a joint venture of the Group or parent reporting group; is a key management personnel of the Group or parents, or where the Group and the party are subject to common control. Related parties may be individuals or entities.

(u) Fiduciary activities

The Group commonly acts in a fiduciary capacity that results in the holding or placing of assets on behalf of individuals and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

3 Critical accounting estimates and assumptions

The Group makes certain assumptions and estimates in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Held-to-maturity securities

The Group follows the guidance of HKAS 39 on classifying on-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity - it will be required to reclassify the entire class as available-for-sale. The investments would then be measured at fair value instead of amortized cost.

(b) Impairment assessment on investments in debt securities included in the available-for-sale and held-to-maturity

The Group has conducted assessment of its investments in debt securities included in the available-for-sale ("AFS"), and held-to-maturity ("HTM") categories as of the end of the year and up to the date of the approval of the financial statements of the Group. Assessment for any impairment, on individual basis, is determined based on judgement and judgement is made with reference to the financial strength and credit rating of each issuer, and industry development and market conditions. The Group has concluded that there are no objective or specific indications that any of its other AFS, and HTM securities is impaired.

(c) Income taxes

When applying the relevant tax rules, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. In these circumstances, judgement is involved in determining the group-wide provision for income taxes. The Group recognizes liabilities for expected tax issues based on reasonable estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognized, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 Interest income

	Group	
	Six months ended	
	30/06/2015 HK$'000	30/06/2014 HK$'000
Interest income on investments	1,922	1,170
Interest income on placement with banks	1,101	1,869
	3,023	3,039

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

5 Other operating income

	Group Six months ended 30/06/2015 HK$'000	30/06/2014 HK$'000
Service fees and commission income	10,795	6,000
Exchange gains	1,039	3,124
Net gain on financial assets at fair value through profit or loss	2,083	2,749
Net gain/(loss) on redemption/disposal of available-for-sale securities	3	-
Other income	100	-
	14,020	11,873

6 Operating expenses

	Group Six months ended 30/06/2015 HK$'000	30/06/2014 HK$'000
Staff costs:		
- Wages and salaries	3,917	3,437
- Unutilized Annual Leaves	0	0
- Pension costs - defined contribution plans	106	100
- Other benefits and allowance	1,179	954
Rental of premises	4,591	2,211
Depreciation (Note 18)	291	29
Auditor's remuneration	100	81
Telecommunication and postage	156	261
Other operating expenses	2,595	2,185
	12,935	9,258

7 Income tax expense

Hong Kong profits tax has been calculated at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the period.

The amount of taxation charged to profit of loss represents:

	Group Six months ended 30/06/2015 HK$'000	30/06/2014 HK$'000
Current income tax		
- Hong Kong profits tax	482	759
Tax for the period	482	759

8 Cash and short-term funds

	Group	
	30/06/2015 HK$'000	31/12/2014 HK$'000
Cash in hand	652	203
Cash and balances with banks and other financial institutions	45,605	59,064
Placements with banks and other financial institutions maturing within one month	154,520	59,224
	200,777	118,491

	Company	
	30/06/2015 HK$'000 (Unaudited)	31/12/2014 HK$'000
Cash and balances with banks and other financial institutions	36,613	49,469
Placements with banks and other financial institutions maturing within one month	153,507	58,214
	190,120	107,683

9 Placements with banks and other financial institutions maturing between one and twelve months

	Group	
	30/06/2015 HK$'000 (Unaudited)	31/12/2014 HK$'000
Placements with banks and other financial institutions		
- maturing between 1 and 3 months	42,478	34,755
- maturing between 3 and 12 months	19,627	19,507
	62,105	54,262

	Company	
	30/06/2015 HK$'000 (Unaudited)	31/12/2014 HK$'000
Placements with banks and other financial institutions		
- maturing between 1 and 3 months	33,946	26,251
- maturing between 3 and 12 months	19,627	19,507
	53,573	45,758

10 Held-to-maturity securities

	Group and Company	
	30/06/2015 HK$'000	31/12/2014 HK$'000
Debt securities		
- Listed outside Hong Kong and issued by central governments and central banks	-	3,226
- Unlisted and issued by banks and other financial institutions	37,464	33,280
- Listed outside Hong Kong and issued by banks	23,353	27,140
	60,817	63,646
Market value of listed securities	22,974	29,910

11 Advances and other accounts

	Group		Company	
	30/06/2015 HK$'000	31/12/2014 HK$'000	30/06/2014 HK$'000	31/12/2014 HK$'000
Advances to customers	63,363	76,335	63,363	76,335
Other accounts	6,798	6,669	6,051	5,911
	70,161	83,004	69,414	82,246

12 Available-for-sale securities

	Group and Company	
	30/06/2015 HK$'000	31/12/2014 HK$'000
At fair value:		
Debt securities		
- Listed outside Hong Kong and issued by banks	58,230	63,051
- Listed inside Hong Kong and issued by banks	12,052	8,016
- Listed outside Hong Kong and issued by corporate entities	10,483	4,232
- Listed inside Hong Kong and issued by corporate entities	1,702	1,713
- Listed outside Hong Kong and issued by central government	38,619	42,567
- Unlisted and issued by banks and other financial	8,541	3,244
	129,627	122,823

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

13 Investment in associate

	Group		Company	
	As at 30 June 2015 HK$'000	As at 31 Dec 2014 HK$'000	As at 30 June 2015 HK$'000	As at 31 Dec 2014 HK$'000
Unlisted shares, cost	1,137	1,137	1,137	1,137
Share of losses / allowance for impairment loss	(1,137)	(1,137)	(1,137)	(1,137)
	-	-	-	-

Particulars of the associate are as follows:

Name	Country of incorporation	Percentage of issued ordinary share capital held	Principal activity
AF Capital Sdn Bhd	Malaysia	49	Dormant

No summary financial information of the associate is provided as the company is dormant.

14 Investment in subsidiaries

	Company	
	30/06/2015 HK$'000	31/12/2014 HK$'000
Unlisted shares	500	500

Particulars of the subsidiaries, all wholly owned by the Company and incorporated in Hong Kong, are as follows:

Name	Principal activity	Total assets HK$'000	Total equity HK$'000
BPI Nominees Limited	Nominee and trustee services	-	-
BPI Remittance Centre (HK) Limited	Remittance services	19,999	18,796
Begara Company Limited	Dormant	-	-
Hilldale Company Limited	Dormant	-	-

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NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

15 Fixed assets

	Group		
	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK$'000	HK$'000	HK$'000
At 1st January 2014			
Cost	629	610	1,239
Accumulated depreciation	(572)	(511)	(1,083)
Net book amount	57	99	156
Year ended 31st Dec 2014 Opening net book amount	57	99	156
Additions	2,583	383	2,966
Depreciation charge	(469)	(82)	(551)
Closing net book amount	2,171	301	2,472
At 31st December 2014 and 1st January 2015			
Cost	3,212	929	4,141
Accumulated depreciation	(1,041)	(628)	(1,669)
Net book amount	2,171	301	2,472
Year ended 31st December 2014 Opening net book amount	2,171	301	2,472
Additions	11	841	852
Depreciation charge	(447)	(114)	(561)
Disposal/Written Off		(177)	(177)
Closing net book amount	1,735	851	2,586
At 30th June 2015			
Cost	3,223	1,770	4,993
Accumulated depreciation	(1,488)	(742)	(2,230)
Disposal/Written Off		(177)	(177)
Net book amount at June 30, 2015	1,735	851	2,586

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

15 Fixed assets (Continued)

	Company		
	Leasehold improvements	Furniture, fixtures and equipment	Total
	HK$'000	HK$'000	HK$'000
At 1st January 2014			
Cost	554	395	949
Accumulated depreciation	(554)	(352)	(906)
	-	43	43
Net book amount			
Year ended 31st December 2014	-	43	43
Opening net book amount			
Additions	2,583	266	2,849
Depreciation charge	(430)	(57)	(487)
	2,153	252	2,405
Closing net book amount			
At 31st December 2014 and 1st January 2015			
Cost	554	490	1,044
Accumulated depreciation	(554)	(238)	(792)
Net book amount	-	252	252
Year ended 31st December 2014	2,153	252	2,405
Opening net book amount			
Additions	11	816	827
Depreciation charge	(432)	(100)	(532)
Disposal/Written off		(177)	(177)
	1,732	791	2,523
Closing net book amount			
At 30th June 2015			
Cost	2,718	1,477	4,195
Accumulated depreciation	(986)	(509)	(1,495)
		(177)	(177)
Net book amount at June 30, 2015	1,732	791	2,523

BPI INTERNATIONAL FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

16 Deposit from customers

	Group and Company	
	30/06/2015 HK$'000	31/12/2014 HK$'000
Time, call and notice deposits	340,874	264,686

17 Off-balance sheet exposures

Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liability and commitment as at 30th June 2015.

	Group and Company	
	30/06/2015 HK$'000	31/12/2014 HK$'000
Other commitments with an original maturity of under 1 year or which are unconditionally cancellable	24,582	21,042
	24,582	21,042

The credit risk weighted amount of credit commitments is HK$ Nil (2014: HK$ Nil).

The Group has no bilateral netting arrangements with its counterparties.

18 Loans to officers

There is no loan made to officers as pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161B of the predecessor Hong Kong Companies Ordinance (Cap. 32).

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION

1 Capital structure and adequacy

The calculation of the capital adequacy ratio as at 30th June 2015 is based on the Banking (Capital Rules) ("BCR"). The capital adequacy ratio as at 30th June 2015 represents the consolidated ratio of the Company and BPI Remittance Centre (HK) Limited computed in accordance with section 3C(1) of the BCR.

The table below presents the balance sheets based on the accounting scope of consolidation and the regulatory scope of the consolidation respectively as at 30th June 2015.

	Balance sheet as in published financial statements As at 30th June 2015 HK$'000	**Under regulatory scope of consolidation** As at 30th June 2015 HK$'000
Assets		
Cash and short-term funds	200,777	200,777
Placements with banks and other financial institutions maturing between one and twelve months	62,105	62,105
Held-to-maturity securities	60,817	60,817
Advances and other accounts	70,161	70,161
Current tax assets	-	-
Available-for-sale securities	129,627	129,627
Investment in associate	-	-
Fixed assets	2,586	2,586
Deferred tax assets	77	77
Total assets	526,150	526,150
Liabilities		
Deposits from customers	340,874	340,874
Other payables	8,062	8,062
Tax payable	20	20
Total liabilities	348,956	348,956
Shareholders' Equity		
Equity attributable to shareholders	177,194	177,194
Non-controlling interests	-	-
Total shareholders' equity	177,194	177,194
Total liabilities and shareholders' equity	526,150	526,150

1 Capital structure and adequacy (Continued)

The table below shows the reconciliation of the capital components from balance sheet based on regulatory scope of the consolidation to the Capital Disclosures Template.

	Balance sheet as in published financial statements As at 30th June 2015 HK$'000	**Under regulatory scope of consolidation** As at 30th June 2015 HK$'000	Cross reference to Definition of Capital Components
Assets			
Cash and short-term funds	200,777	200,777	
Placements with banks and other financial institutions maturing between one and twelve months	62,105	62,105	
Held-to-maturity securities	60,817	60,817	
Advances and other accounts	70,161	70,161	
Current tax assets	-	-	
Available-for-sale securities	129,627	129,627	
Investment in associate	-	-	
Fixed assets	2,586	2,586	
Deferred tax assets	77	77	(1)
Total assets	526,150	526,150	
Liabilities			
Deposits from customers	340,874	340,874	
Other payables	8,062	8,062	
Tax payable	20	20	
Total liabilities	348,956	348,956	
Shareholders' Equity			
Equity attributable to shareholders	177,194	177,194	
of which: paid-in share capital	75,000	75,000	(2)
retained earnings	102,153	102,153	(3)
of which: Regulatory reserve for general banking risk	1,692	1,692	(4)
disclosed reserve	41	41	(5)
Non-controlling interests	-	-	
Total shareholders' equity	177,194	177,194	
Total liabilities and shareholders' equity	526,150	526,150	

1 Capital structure and adequacy (Continued)

The Company has already applied full capital deductions under the BCR. The Capital Disclosure Template as at 30th June 2015 is shown as below:

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	75,000	(2)
2	Retained earnings	102,153	(3)
3	Disclosed reserves	41	(5)
4	*Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)*	Not applicable	
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	177,194	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liability)	-	
9	Other intangible assets (net of associated deferred tax liability)	-	
10	Deferred tax assets net of deferred tax liabilities	77	(1)
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Gain-on-sale arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable	
22	Amount exceeding the 15% threshold	Not applicable	
23	of which: significant investments in the common stock of financial sector entities	Not applicable	
24	of which: mortgage servicing rights	Not applicable	
25	of which: deferred tax assets arising from temporary differences	Not applicable	

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

1 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
	CET1 capital: regulatory deductions (Continued)		
26	National specific regulatory adjustments applied to CET1 capital	1,692	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	1,692	(4)
26c	Securitization exposures specified in a notice given by the Monetary Authority	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	1,769	
29	**CET1 capital**	175,425	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements*	-	
36	**AT1 capital before regulatory deductions**	-	
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	-	
44	**AT1 capital**	-	
45	**Tier 1 capital (Tier 1 = CET1 + AT1)**	175,425	

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

1 Capital structure and adequacy (Continued)

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
	AT1 capital: regulatory deductions		
	Tier 2 capital: instruments and provision		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	*Capital instruments subject to phase out arrangements from Tier 2 capital*	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	*of which: capital instruments issued by subsidiaries subject to phase out arrangements*	-	
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	1,692	
51	**Tier 2 capital before regulatory deductions**	1,692	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	
54	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
57	**Total regulatory deductions to Tier 2 capital**	-	
58	**Tier 2 capital**	1,692	
59	**Total capital (Total capital = Tier 1 + Tier 2)**	177,117	
60	**Total risk weighted assets**	241,820	

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

1 **Capital structure and adequacy (Continued)**

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
	Capital ratios (as a percentage of risk weighted assets)		
61	CET1 capital ratio	72.54%	
62	Tier 1 capital ratio	72.54%	
63	Total capital ratio	73.24%	
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3B of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.50%	
65	*of which: capital conservation buffer requirement*	0.00%	
66	*of which: bank specific countercyclical buffer requirement*	0.00%	
67	*of which: G-SIB or D-SIB buffer requirement*	0.00%	
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3B of the BCR	68.04%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	
70	National Tier 1 minimum ratio	Not applicable	
71	National Total capital minimum ratio	Not applicable	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
74	Mortgage servicing rights (net of related tax liability)	Not applicable	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable	
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	-	
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	-	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	-	

1 **Capital structure and adequacy (Continued)**

		Component of regulatory capital reported by bank	Cross-referenced to balance sheet under regulatory scope of consolidation
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 capital instruments subject to phase out arrangements*	Not applicable	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	
82	*Current cap on AT1 capital instruments subject to phase out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

<u>**Notes to the template**</u>:

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

Row No.	Description	Hong Kong basis	Basel III basis
10	**Deferred tax assets net of deferred tax liabilities**	77	-

<u>Explanation</u>

As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs that rely on future profitability of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III.

The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities and other credit exposures to connected companies) under Basel III.

<u>Remark:</u>

The amount of the 10% / 15% thresholds mentioned above is calculated based on the amount of CET1 capital determined under the BCR.

<u>**Abbreviations**</u>:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

1 Capital structure and adequacy (Continued)

For comparative purpose, the capital adequacy ratio as at 30th June 2014 was based on the BCR effective from 1st January 2014. The capital adequacy ratio as at 30th June 2014 represents the consolidated ratio of the Company and its subsidiaries computed in accordance with section 98 (2) of the Hong Kong Banking Ordinance. The comparative figures were not restated on the ground that different approaches were used to calculate the capital adequacy ratio as at 30th June 2015 and 30th June 2014.

	30/06/2015	31/12/2014
Capital adequacy ratio	73.24%	78.65%
Tier 1 capital ratio	72.54%	77.88%

The consolidated capital base after deductions used in the calculation of the above capital adequacy ratios as at 30th June and reported to the Hong Kong Monetary Authority is analysed as follows:

	30/06/2015 HK$'000	31/12/2014 HK$'000
Core capital:		
Paid up ordinary share capital	75,000	75,000
Reserves	99,585	93,612
Statement of comprehensive income	2,568	5,975
Net deferred tax assets	(77)	(77)
Reserve on revaluation of AFS securities	-	-
Regulatory reserve	-	-
Total Tier 1 capital	177,076	174,510
Supplementary capital:		
Reserve on revaluation of AFS securities	41	(288)
Regulatory reserve	(1,692)	(1,692)
Total supplementary capital	1,651	1,980
Total capital base	177,117	174,222

1 Capital structure and adequacy (Continued)

The main Features Template as at 30th June 2015 is shown below:

1	Issuer	BPI International Finance Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N.A.
3	Governing law(s) of the instrument	Hong Kong *Regulatory treatment*
4	Transitional Basel III rules#	N.A.
5	Post-transitional Basel III rules+	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo and Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK$75 Million
9	Par value of instrument	HK$1.00 each
10	Accounting classification	Shareholders' equity
11	Original date of issuance	16 August 1974
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N.A.
16	Subsequent call dates, if applicable	N.A.
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N.A.
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N.A.
25	If convertible, fully or partially	N.A.
26	If convertible, conversion rate	N.A.
27	If convertible, mandatory or optional conversion	N.A.
28	If convertible, specify instrument type convertible into	N.A.
29	If convertible, specify issuer of instrument it converts into	N.A.
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N.A.
32	If write-down, full or partial	N.A.
33	If write-down, permanent or temporary	N.A.
34	If temporary write-down, description of write-up mechanism	N.A.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N.A.
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N.A.

Footnote:

Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

* Include solo-consolidated

N.A. Not applicable

2 Leverage Ratio

Summary Comparison Table

Item	Annex 1 Leverage ratio framework HK$ equivalent	
	30/06/2015	31/12/2014
1. Total consolidated assets as per published financial statements	526,150	444,554
2. Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3. Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4. Adjustments for derivative financial instruments	-	-
5. Adjustment for securities financing transactions (ie repos and similar secured lending)	-	-
6. Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	2,458	2,104
7.Other adjustments	-	-
8. **Leverage ratio exposure**	528,608	446,658

No difference between total consolidated assets as per published financial statement versus On-Balance sheet exposures in LR

BPI INTERNATIONAL FINANCE LIMITED

UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

3 Leverage Ratio Common Disclosure Template

Annex 2

Item	Leverage ratio framework HK$ equivalent 30/06/2015	Leverage ratio framework HK$ equivalent 31/12/2014
On-balance sheet exposures		
1. On-balance sheet items (excluding derivatives and SFTs, but including collateral)	526,150	444,554
2. (Asset amounts deducted in determining Basel III Tier 1 capital)	-	-
3. Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	526,150	444,554
Derivative exposures		
4. Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-	-
5. Add-on amounts for PFE associated with all derivatives transactions	-	-
6. Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7. (Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-	-
8. (Exempted CCP leg of client-cleared trade exposures)	-	-
9. Adjusted effective notional amount of written credit derivatives	-	-
10. (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-
11. Total derivative exposures (sum of lines 4 to 10)	-	-
Securities financing transaction exposures		
12. Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13. (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-
14. CCR exposure for SFT assets	-	-
15. Agent transaction exposures	-	-
16. Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
Other off-balance sheet exposures		
17. Off-balance sheet exposure at gross notional amount	24,582	21,042
18. (Adjustments for conversion to credit equivalent amounts)	(22,124)	(18,938)
19. Off-balance sheet items (sum of lines 17 and 18)	2,458	2,104
Capital and total exposures		
20. Tier 1 capital	175,425	170,497
21. Total exposures (sum of lines 3, 11, 16 and 19)	528,608	446,658
Leverage ratio		
22. Basel III leverage ratio	33.19%	38.17%

Decrease in Leverage Ratio was due to increase in total balance sheet exposures by HKD 81.5M. This is largely attributed to client placements with the Company.

BPI INTERNATIONAL FINANCE LIMITED
UNAUDITED SUPPLEMENTARY INFORMATION (CONTINUED)

4 International Claims

	Banks	Official Sector	Non-Bank Private Sector			
			Others	Total		
			Of which: Non-bank financial Institution	Of which: Non-financial private sector	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 30th June 2015						
1. Developed Countries	188,000	24,000				212,000
of which Australia	92,000	-	-			92,000
of which Japan	63,000	-	-			63,000
of which United States	33,000	24,000				57,000
2. Offshore Centers	74,000		2,000			76,000
of which Cayman Island	-	-	2,000			2,000
of which Singapore	74,000	-	-	-	-	74,000
3. Developing Asia and Pacific	95,000	15,000		69,000		179,000
of which Philippines	17,000			63,000		80,000
of which India	20,000	-	-	-		20,000
of which South Korea	27,000	-	-			27,000
of which China	31,000	-	-	6,000		37,000
of which Indonesia	-	15,000				15,000

Disclosures for International Claims was implemented March 2015. We are now showing above the International Claims as of June 2015 while below is the Cross boarder Claims as of December 2014.

	Banks and other financial institutions	Public sector entities	Others	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31st December 2014				
Asia Pacific excluding Hong Kong				
of which Australia	57,000	-	-	57,000
of which Philippines	21,000	3,000	76,000	100,000
of which Singapore	34,000	-	-	34,000
of which India	20,000	-	-	20,000
of which Japan	35,000	-	-	35,000
of which China	23,000	-	-	23,000
of which Korea	23,000	-	-	23,000
of which Indonesia	-	15,000	-	15,000
North America				
of which United States	37,000	27,000	-	64,000

The geographical analysis has been taken account of transfer of risk.
Note that the changes in the reporting format was due to the amendments in the regulatory requirements.

5 Segmental information

(i) By geographical areas

Information has been classified according to the location of the principal operations of the company. All of the Company's principal operations are conducted in Hong Kong.

(ii) Advances to customers

Gross advances to customers by industry sectors

	Group & Company			
	30/06/2015		31/12/2014	
	Amount of Loan Outstanding	Amount of Loan Covered by Collateral	Amount of Loan Outstanding	Amount of Loan Covered by Collateral
	HK$'000	HK$'000	HK$'000	HK$'000
Loans for use in Hong Kong				
- Individuals - others	-	-	-	-
Loans for use outside Hong Kong	63,363	63,363	76,335	76,335
Total advances to customers	63,363	63,363	76,335	76,335

Gross advances to customers by residential status of customers

	Company	
	30/06/2015	31/12/2014
	HK$'000	HK$'000
Hong Kong	-	-
Philippines	63,363	76,335
	63,363	76,335

6 Overdue and rescheduled assets, Repossessed assets, Non-performing loans

There were no overdue and rescheduled assets, repossessed assets, non-performing loans as at 30th June 2015. (2014: HK$ Nil)

7 Non-Bank Mainland China Exposures activities

BPI International Finance Limited does not have Non-Bank Mainland China Exposures.

8 Currency concentrations

	EUR HK$'000	US$ HK$'000	GBP HK$'000	AUD HK$'000	Total HK$'000
Equivalent in Hong Kong dollars					
As at 30th June 2015					
Spot assets	960	403,540	2,117	37,398	444,015
Spot liabilities	(1,103)	(305,391)	(1,461)	(37,423)	(345,378)
Net long position	(143)	98,149	656	(25)	98,637
Net structural position		-			-
As at 31st December 2014					
Spot assets	1,569	313,603	2,091	38,098	355,361
Spot liabilities	(1,393)	(225,766)	(1,447)	(37,799)	(266,405)
Net long position	176	87,837	644	299	88,956
Net structural position		-			-

9 Liquidity ratios

		2015	2014
(a)	Average LMR for an interim reporting period	782.27%	488.76%

The liquidity maintenance ratio for 2015 is being compared with the June 2014 liquidity ratio

		2015	2014
(b)	Liquidity Maintenance Ratio	647.31%	258%

The liquidity ratio is calculated as the simple average of each calendar month's average liquidity ratio for the six months of the financial year of the Company computed in accordance with the Fourth Schedule to the Banking Ordinance.

(c) The liquidity condition of the Group is monitored on a daily basis by the Company's chief executive. The balance between liquidity and profitability is carefully considered but the former is given higher priority in case of conflicts in meeting targets or regulatory requirements.