

# **BPI International Finance Limited**

**Unaudited Interim Results**

**For the six months period ended 30 June 2018**

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## 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 subsidiary (the "Group") operations for the six months period ended 30 June 2018.

### 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 activity of its subsidiary is set out in Notes 13 to the consolidated financial statements.

### Results and appropriations

The results of the Group for the period ended 30 June 2018 are set out in the consolidated statement of profit and loss and other comprehensive income on page 3.

The directors do not recommend the payment of a dividend (2017: Nil).

### Directors of the Company and its subsidiary

The directors of the Company and its subsidiary during the period and up to the date of this report were:

Tomas S. Chuidian	
Archie Lin	
Joseph Albert L. Gotuaco	
Ma. Carmencita S. Bustamante	
Hong Ki Myung	
Jonathan Paul Back	(Appointed on 20 April 2018)
Benjamin Elpidio N. Panganiban Jr.	
Melinda V. Dulay	
Angelie O. King	
Olga C. Sy	
Jose Raul E. Jereza IV	
Ritche G. Farinas	
Mario Antonio V. Paner	(Resigned on 28 June 2018)
Natividad N. Alejo	(Resigned on 28 June 2018)

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

### **Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business**

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company subsidiaries, fellow subsidiaries or its parent 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 period or at any time during the period.

At no time during the period was the Company, its subsidiaries, its fellow subsidiaries, its parent company or its other associated corporations a party to any arrangement to enable the directors and chief executives 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 specified undertakings or other 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 period.

### **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 profit and loss and other comprehensive, its state of affairs and capital adequacy. The financial statements for the six month period ended 30 June 2018 comply fully with the applicable disclosure provisions of the Banking (Disclosure) Rules.

### **Permitted indemnity provisions**

At no time during the period and up to the date of this Directors' report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

On behalf of the Board



Tomas S. Chuidian, Chairman

Hong Kong

24 SEP 2018

## Consolidated statement of profit and loss and other comprehensive income (unaudited)

	<i>Note</i>	<i>For the six months period ended 30 Jun 2018 HK\$'000</i>	<i>For the six months period ended 30 Jun 2017 HK\$'000</i>
Interest income	3	3,827	2,714
Interest expense		(1,146)	(883)
Net interest income		2,681	1,831
Other operating income	4	18,543	17,450
Operating income		21,224	19,281
Operating expenses	5	(18,611)	(16,883)
Profit before taxation		2,613	2,398
Income tax expense	6	(444)	(587)
Profit for the period		2,169	1,811
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of financial assets designated at fair value through other comprehensive income, net of tax		(604)	60
<b>Total comprehensive income for the period</b>		<b>1,565</b>	<b>1,871</b>

The notes on pages 8 to 23 are an integral part of these consolidated financial statements.

## Consolidated statement of financial position (unaudited)

	Note	As at 30 Jun 2018 HK\$'000	As at 31 Dec 2017 HK\$'000
<b>Assets</b>			
Cash and short-term funds	7	196,665	122,734
Placements with banks and other financial institutions maturing between one and twelve months	8	164,009	188,005
Financial assets designated at amortised cost/Held to maturity	9	11,811	19,491
Loans and advances to customers	10	21,706	17,754
Prepayments, receivables and other assets	11	7,050	6,685
Financial assets designated at fair value through other comprehensive income/Available for Sale	12	80,790	104,230
Property, plant and equipment	14	144	185
Deferred tax assets		4	1
<b>Total assets</b>		<u>482,179</u>	<u>459,085</u>
<b>Liabilities</b>			
Time deposits from customers		267,345	259,693
Accruals, payables and other liabilities		23,605	10,176
Tax payable		619	175
<b>Total liabilities</b>		<u>291,569</u>	<u>270,044</u>

## Consolidated statement of financial position (unaudited)(continued)

	<i>Note</i>	<i>As at</i> 30 Jun 2018	<i>As at</i> 31 Dec 2017
		HK\$'000	HK\$'000
<b>Equity</b>			
Share capital		75,000	75,000
Retained earnings		116,363	114,190
Investment revaluation reserve		(753)	(149)
		<u>190,610</u>	<u>189,041</u>
Total equity and liabilities		<u>482,179</u>	<u>459,085</u>

The consolidated financial statements on pages 3 to 23 were approved by the Board of Directors on and were signed on its behalf.




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Tomas S. Chuidian

Director

24 SEP 2018



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Archie Lin

Director

24 SEP 2018

The notes on pages 8 to 23 are an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity (unaudited)

	<i>Share capital</i> HK\$'000	<i>Investment revaluation reserve</i> HK\$'000	<i>Retained earnings</i> HK\$'000	<i>Total</i> HK\$'000
<b>At 1 January 2017</b>	75,000	111	108,337	183,448
Comprehensive income				
Profit for the year	-	-	5,853	5,853
Other comprehensive income				
Change in fair value of financial assets designated at fair value through other comprehensive income, net of tax.	-	(260)	-	(260)
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>(260)</u>	<u>5,853</u>	<u>5,593</u>
<b>At 31 December 2017 and 1 January 2018</b>	<u>75,000</u>	<u>(149)</u>	<u>114,190</u>	<u>189,041</u>
Comprehensive income				
Profit for the period	-	-	2,169	2,169
Other comprehensive income			4	4
Change in fair value of financial assets designated at fair value through other comprehensive income, net of tax.	-	(604)	-	(604)
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>(604)</u>	<u>2,173</u>	<u>1,569</u>
<b>At 30 June 2018</b>	<u>75,000</u>	<u>(753)</u>	<u>116,363</u>	<u>190,610</u>

The notes on pages 8 to 23 are an integral part of these consolidated financial statements.



## Consolidated statement of cash flows (unaudited)

		<i>For the six months period ended</i>	<i>For the Year ended</i>
	<i>Note</i>	<i>30 Jun 2018 HK\$'000</i>	<i>31 Dec 2017 HK\$'000</i>
<b>Net cash inflow from operating activities before taxation</b>	19	20,350	44,795
Net Hong Kong profits tax paid		-	(782)
<b>Net cash inflow from operating activities after taxation</b>		<u>20,350</u>	<u>44,013</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(68)	(347)
Purchase of financial assets designated at amortised cost/Held to maturity		-	(15,450)
Purchase of financial assets designated at fair value through other comprehensive income/Available for sale		-	(66,959)
Proceeds from redemption/disposal of financial assets designated at fair value through other comprehensive income/Available for sale		21,944	56,240
Proceeds from redemption of financial assets designated at amortised cost/Held to maturity		7,847	25,378
<b>Net cash inflow/(outflow) from investing activities</b>		<u>29,723</u>	<u>(1,138)</u>
<b>Increase in cash and cash equivalents</b>		50,073	42,875
<b>Cash and cash equivalents at 1 January 2018/ 1 January 2017</b>		<u>291,825</u>	<u>248,950</u>
<b>Cash and cash equivalents at 30 June 2018 /31 December 2017</b>		<u>341,898</u>	<u>291,825</u>
<b>Analysis of cash and cash equivalents</b>			
Cash in hand	7	868	490
Balances with banks and other financial institutions	7	100,233	70,011
Placement with banks and other financial institutions with original maturity within three months		240,797	221,324
		<u>341,898</u>	<u>291,825</u>

The notes on pages 8 to 23 are an integral part of these consolidated financial statements.

## Notes to the financial statements

### 1. General information

The principal activities of BPI International Finance Limited (the "Company") and its subsidiary (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.

### 2. Basis of preparation and accounting policies

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Except as described below, the accounting policies and methods of computation used in the preparation of the 2018 interim condensed consolidated financial statements are consistent with those used and described in the Group's annual audited financial statements for the year ended 31 December 2017.

#### (a) New and amended standards adopted

A number of new standards and amendments to standards and interpretations became effective for the current reporting. None of these has a significant effect on the consolidated financial statements of the Group, except for HKFRS 9, "Financial instruments".

As permitted by the transitional provisions of HKFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

## 2. Basis of preparation and accounting policies (continued)

### (a) New and amended standards adopted (continued)

Impacts of the new requirements on the group's financial statements are as follows:

#### (i) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of HKFRS 9. The Group currently does not have any financial assets designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

With respect to the financial assets classified as "available-for-sale" and represented investments in equity securities, the entity has chosen to irrevocably designate as FVTOCI (without recycling) on transition to HKFRS 9. If an entity intends to elect this designation option for any of the investments held on 1 January 2018, it will instead recognise any fair value changes in respect of these investments in profit or loss as they arise. This represents a change of accounting treatment as the entity recognises the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

## 2. Basis of preparation and accounting policies (continued)

### (a) New and amended standards adopted (continued)

Impacts of the new requirements on the group's financial statements are as follows:

#### (ii) Impairment

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The adoption of expected credit loss approach resulted in an increase in impairment allowances required to be provided on the Group's financial assets.

Based on the assessments performed by the Group, the six-month assessments have been validated and reviewed by headquarter and subsequently approved by the Board.

The expected credit loss provisioning has a minimal impact in the financial statement.  
(30 June 2018: \$695,181)

#### HKFRS 15, "Revenue from contracts with customers"

The HKICPA has issued HKFRS 15 as the new standard for the recognition of revenue, which has become effective for financial years commencing on or after 1 January 2018. This replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The adoption of HKFRS 15 does not have any material impact on the Group's consolidated financial statements.

## 2. Basis of preparation and accounting policies (continued)

(b) New standards and interpretations not yet adopted

HKFRS 16, "Leases"

HKFRS 16 will result in almost all lease being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for Group's operating lease. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$12,262,000 (2017: HK\$18,003,000). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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.

**3 Interest income**

	<i>For the six months period ended 30 Jun 2018 HK\$'000</i>	<i>For the six months period ended 30 Jun 2017 HK\$'000</i>
Interest income on investments in securities	1,255	1,253
Interest income on placements with banks	2,127	1,266
Interest income from advances to customers	445	195
	3,827	2,714
	3,827	2,714

**4 Other operating income**

	<i>For the six months period ended 30 Jun 2018 HK\$'000</i>	<i>For the six months period ended 30 Jun 2017 HK\$'000</i>
Service fees and commission income	9,893	8,071
Foreign exchange gains from customer transactions	6,534	7,542
Net gain from dealing in securities	2,116	1,808
Net gain on redemption/disposal of financial assets designated at fair value through other comprehensive income/ Available for sale	-	27
Other income	-	2
	18,543	17,450
	18,543	17,450

## 5 Operating expenses

	<i>For the six months period ended 30 Jun 2018 HK\$'000</i>	<i>For the six months period ended 30 Jun 2017 HK\$'000</i>
Staff costs:		
– Wages and salaries	8,381	6,962
– Unutilised Annual Leaves	–	–
– Pension costs - defined contribution plans	279	225
– Other benefits and allowance	2,020	1,752
Rental of premises	3,484	3,274
Depreciation (Note 14)	109	838
Auditor's remuneration	541	557
Telecommunication and postage	542	442
Other operating expenses	3,255	2,833
	<u>18,611</u>	<u>16,883</u>

Staff costs include directors' emoluments.

## 6 Income tax expense

Hong Kong profits tax has been calculated at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period.

The amount of taxation charged to profit or loss represents:

	<i>For the six months period ended 30 Jun 2018 HK\$'000</i>	<i>For the six months period ended 30 Jun 2017 HK\$'000</i>
Current income tax		
– Hong Kong profits tax	444	587
Tax for the period	<u>444</u>	<u>587</u>

**7 Cash and short-term funds**

	<i>As at</i> <i>30 Jun 2018</i> HK\$'000	<i>As at</i> <i>31 Dec 2017</i> HK\$'000
Cash in hand	868	490
Cash and balances with banks and other financial institutions	100,233	70,011
Placements with banks and other financial institutions maturing within one month	95,564	52,233
	<u>196,665</u>	<u>122,734</u>

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

	<i>As at</i> <i>30 Jun 2018</i> HK\$'000	<i>As at</i> <i>31 Dec 2017</i> HK\$'000
Placements with banks and other financial institutions		
- maturing between 1 and 3 months	145,232	169,091
- maturing between 3 and 12 months	19,085	18,914
Less: impairment allowances	(308)	-
	<u>164,009</u>	<u>188,005</u>



**9 Financial assets designated at amortised cost/ Held to maturity**

	<i>As at</i> <i>30 Jun 2018</i> HK\$'000	<i>As at</i> <i>31 Dec 2017</i> HK\$'000
Debt securities		
- Unlisted and issued by banks and other financial institutions	-	-
- Listed outside Hong Kong and issued by banks and other financial institutions	4,037	4,033
- Listed outside Hong Kong and issued by central government	7,790	15,458
- Less: impairment allowances	(16)	-
	<u>11,811</u>	<u>19,491</u>
Fair value of unlisted securities	-	-
Fair value of listed securities	11,795	19,548
	<u>11,795</u>	<u>19,548</u>

**10 Loans and advances to customers**

	<i>As at</i> <i>30 Jun 2018</i> HK\$'000	<i>As at</i> <i>31 Dec 2017</i> HK\$'000
Loans and advances to customers	21,706	17,754
	<u>21,706</u>	<u>17,754</u>

**11 Prepayments, receivables and other assets**

	<i>As at</i> <i>30 Jun 2018</i> HK\$'000	<i>As at</i> <i>31 Dec 2017</i> HK\$'000
Prepayment	736	781
Receivables	2,865	2,465
Other assets	3,449	3,439
	<u>7,050</u>	<u>6,685</u>

**12 Financial assets designated at fair value through other comprehensive income/Available for sale**

	<i>As at</i> <i>30 Jun 2018</i> HK\$'000	<i>As at</i> <i>31 Dec 2017</i> HK\$'000
At fair value:		
Debt securities		
- Listed outside Hong Kong and issued by banks and other financial institutions	45,474	61,615
- Listed inside Hong Kong and issued by banks and other financial institutions	7,088	11,069
- Listed outside Hong Kong and issued by corporate entities	1,863	2,002
- Listed inside Hong Kong and issued by corporate entities	6,300	6,286
- Listed outside Hong Kong and issued by central government	14,906	23,258
- Unlisted and issued by banks and other financial institutions	5,159	-
	<u>80,790</u>	<u>104,230</u>

### 13 Subsidiary

The following is a list of the principal subsidiary at 30 June 2018:

<i>Name</i>	<i>Proportion of ordinary shares directly held by the company (%)</i>	<i>Proportion of ordinary shares held by the Group (%)</i>	<i>Proportion of ordinary shares held by non-controlling interests (%)</i>	<i>Proportion of preference shares held by the Group (%)</i>
BPI Remittance Centre (HK) Limited	100.00%	100.00	-	-

The following is a list of the principal subsidiary at 31 December 2017:

<i>Name</i>	<i>Proportion of ordinary shares directly held by the company (%)</i>	<i>Proportion of ordinary shares held by the Group (%)</i>	<i>Proportion of ordinary shares held by non-controlling interests (%)</i>	<i>Proportion of preference shares held by the Group (%)</i>
BPI Remittance Centre (HK) Limited	100.00%	100.00	-	-

Begara Company Limited and Hilldale Company Limited have been deregistered on 13 January 2017. BPI Nominees Limited has been deregistered on 15 September 2017.

## 14 Property, plant and equipment

	<i>Leasehold improvements</i> HK\$'000	<i>Furniture, fixtures and equipment</i> HK\$'000	<i>Total</i> HK\$'000
At 1 January 2017			
Cost	2,716	1,691	4,407
Accumulated depreciation	(2,268)	(1,329)	(3,597)
Net book amount	<u>448</u>	<u>362</u>	<u>810</u>
Year ended 31 December 2017			
Opening net book amount	448	362	810
Additions	99	248	347
Written off	-	-	-
Depreciation charge	(547)	(425)	(972)
Closing net book amount	<u>-</u>	<u>185</u>	<u>185</u>
At 31 December 2017 and 1 January 2018			
Cost	2,814	1,847	4,661
Accumulated depreciation	(2,814)	(1,662)	(4,476)
Net book amount	<u>-</u>	<u>185</u>	<u>185</u>
Period ended 30 June 2018			
Opening net book amount	-	185	185
Additions	5	63	68
Depreciation charge	(1)	(108)	(109)
Closing net book amount	<u>4</u>	<u>140</u>	<u>144</u>
At 30 June 2018			
Cost	2,819	1,913	4,732
Accumulated depreciation	(2,815)	(1,773)	(4,588)
Net book amount	<u>4</u>	<u>140</u>	<u>144</u>

**15 Lease commitments**

The future aggregate minimum lease payment under non-cancellable operating leases in respect of the premises is as follows:

	<i>As at</i> <i>30 Jun 2018</i> HK\$'000	<i>As at</i> <i>31 Dec 2017</i> HK\$'000
No later than one year	11,272	11,877
Later than one year and no later than five years	990	6,127
	12,262	18,004

**16 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:

	<i>As at</i> <i>30 Jun 2018</i> HK\$'000	<i>As at</i> <i>31 Dec 2017</i> HK\$'000
Loan commitments with an original maturity of under 1 year or which are unconditionally cancellable	37,184	31,453
	37,184	31,453

**17 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).

## 18 Related party transactions

Following transaction was carried out with related parties:

**(a) Transaction amount during the period/year with related parties:**

	As at 30 Jun 2018 HK\$'000	As at 31 Dec 2017 HK\$'000
Interest income generated from the cash and placement with the ultimate holding company	2	38
System services charge from ultimate holding company	1,049	2,026
	<u>1,051</u>	<u>2,064</u>

System service charge represents charges for usage of ultimate holding company's remittance system and treasury core system. Charges are calculated based on a fixed fee per remittance transaction executed through the system.

**(b) Period/Year-end balances with related parties:**

	Note	As at 30 Jun 2018 HK\$'000	As at 31 Dec 2017 HK\$'000
Bank balance held in ultimate holding company	(a)	7,399	12,804
Accounts payable to ultimate holding company	(b)	-	-
Other payable to ultimate holding company	(c)	141	131
		<u>7,540</u>	<u>12,935</u>

- (a) The bank balance held with the ultimate holding company which is a bank in the Republic of the Philippines. The balance are unsecured in nature and interest-bearing at commercial rate.
- (b) The accounts payables to ultimate holding company arise mainly from remittance transaction for customer. The payables are repayable within the next working day in the Philippines.
- (c) The Accruals, payables and other liabilities to ultimate holding company represents fees payable for usage of remittance system owned by the ultimate holding company. The payables are repayable on demand.

## 19 Note to the cash flow statement

Reconciliation of profit before taxation to net cash inflow from operating activities:

	<i>As at</i> <i>30 Jun 2018</i> HK\$'000	<i>As at</i> <i>31 Dec 2017</i> HK\$'000
Profit before taxation	2,613	7,276
Net interest income	(2,681)	(3,998)
Depreciation of property, plant and equipment	109	972
Net gain on disposal of financial assets designated at fair value through other comprehensive income/ Available for sale	-	(27)
Written off of property, plant and equipment	-	-
Interest received	4,151	6,066
Interest paid	(1,029)	(1,830)
Change in expected credit losses and other credit impairment charges	695	-
Elimination of exchange differences and other non-cash items	140	-
	<hr/>	<hr/>
Operating cash inflow before changes in operating assets and liabilities	3,998	8,459
Change in placements with banks and other financial institutions with original maturity over three months	(171)	8,735
Change in financial assets designated at amortised cost	(184)	-
Change in loans and advances to customers and prepayments, accrued income and other assets	(4,254)	166
Change in deferred tax assets	(3)	-
Change in deposits from customers	7,535	23,055
Change in accruals, deferred income and other liabilities	13,429	4,380
	<hr/>	<hr/>
Net cash inflow from operating activities	20,350	44,795

## 20 Immediate and ultimate holding company

The immediate and ultimate holding company is Bank of the Philippine Islands, a bank incorporated and listed in the Republic of the Philippines. This entity produces consolidated financial statements available for public use.

## 21 Statement of financial position and reserve movement of the Company

### Statement of financial position of the Company


	As at 30 Jun 2018 HK\$'000	As at 31 Dec 2017 HK\$'000
<b>Assets</b>		
Cash and short-term funds	161,547	90,354
Placements with banks and other financial institutions maturing between one and twelve months	164,009	188,005
Financial assets designated at amortised cost/ Held to maturity	11,811	19,491
Loans and advances to customers	21,706	17,754
Prepayments, receivables and other assets	6,201	5,828
Financial assets designated at fair value through other comprehensive income/ Available for sale	80,790	104,230
Investment in subsidiaries	500	500
Property, plant and equipment	137	170
Deferred tax assets	-	-
<b>Total assets</b>	446,701	426,332
<b>Liabilities</b>		
Time Deposits from customers	267,345	259,693
Accruals, payables and other liabilities	22,392	8,992
<b>Total liabilities</b>	289,737	268,685
<b>Equity</b>		
Share capital	75,000	75,000
Retained earnings	82,717	82,796
Investment revaluation reserve	(753)	(149)
	156,964	157,647
<b>Total equity and liabilities</b>	446,701	426,332

The statement of financial position of the Company was approved by the Board of Directors on 24 SEP 2018 and was signed on its behalf



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Tomas S. Chuidian  
Director



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Archie Lin  
Director



**21 Statement of financial position and reserve movement of the Company  
(continued)**

***Reserve movement of the Company***

	<i>Retained earnings HK\$'000</i>	<i>Investment revaluation reserve HK\$'000</i>	<i>Total HK\$'000</i>
At 1 January 2017	83,028	111	83,139
Loss for the year	(232)	-	(232)
Change in fair value of available for sale, net of tax	-	(260)	(260)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	82,796	(149)	82,647
	<hr/>	<hr/>	<hr/>
At 1 January 2018	82,796	(149)	82,647
Loss for the period	(79)	-	(79)
Change in fair value of financial assets designated at fair value through other comprehensive income, net of tax	-	(604)	(604)
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2018</b>	<b>82,717</b>	<b>(753)</b>	<b>81,964</b>
	<hr/>	<hr/>	<hr/>

## BPI International Finance Limited Unaudited Supplementary Information

The following information is disclosed as part of the accompanying information to the financial statements.

### 1 Liquidity Position

	Quarter ended 30 Jun 2018	Quarter ended 31 Mar 2018	Quarter ended 30 Jun 2017	Quarter ended 31 Mar 2017
Average liquidity maintenance ratio	333.68%	349.25%	831.36%	630.72%

The liquidity maintenance ratio ("LMR") is calculated in accordance with the Banking (Liquidity) Rules effective from 1 January 2015. The average liquidity maintenance ratio is calculated based on the average value of the LMR for each calendar month as reported in the liquidity position return submitted to HKMA.

#### Liquidity risk management process

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.

### 2 Other than functional currency concentrations

	EUR HK\$'000	US\$ HK\$'000	GBP HK\$'000	AUD HK\$'000	PHP HK\$'000	Total HK\$'000
Equivalent in Hong Kong dollars 30 June 2018						
Spot assets	95	383,164	120	28,027	59	411,465
Spot liabilities	-	(259,870)	(1)	(27,913)	-	(287,784)
Net long position	95	123,294	119	114	59	123,681
Net structural position		-				-
Equivalent in Hong Kong dollars 31 December 2017						
Spot assets	30	350,113	31	29,176	108	379,458
Spot liabilities	-	(237,709)	-	(29,172)	(3)	(266,884)
Net long position	30	112,404	31	4	105	112,574
Net structural position		-				-

### 3 Non-Bank Mainland China Exposures

The analysis of mainland activities exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the Hong Kong Monetary Authority (“HKMA”) under the Banking (Disclosure) Rules with reference to the HKMA Return of Mainland activities. This includes the mainland activities exposures extended by the Bank and its mainland banking subsidiary.

30 June 2018	<i>On-balance sheet exposure HK\$'000</i>	<i>Off-balance sheet exposure HK\$'000</i>	<i>Total exposure HK\$'000</i>
1. Central government, central government-entities and their subsidiaries and JVs	6,300	-	6,300
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets after provision	6,300 445,009	-	6,300
On-balance sheet exposures as percentage of total assets	<hr/> <hr/> 1.42%		

### 3 Non-Bank Mainland China Exposures (continued)

31 December 2017	<i>On-balance sheet exposure HK\$'000</i>	<i>Off-balance sheet exposure HK\$'000</i>	<i>Total exposure HK\$'000</i>
1. Central government, central government-entities and their subsidiaries and JVs	6,286	-	6,286
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	-	-	-
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets after provision	6,286 424,640	-	6,286
On-balance sheet exposures as percentage of total assets	<hr/> <hr/> 1.48%		

**4 (a) Risk-weighted amount for credit risk**

The Group uses the basic approach for calculation of credit risk.

	<i>As at</i> 30 Jun 2018 <i>HK\$'000</i>	<i>As at</i> 31 Dec 2017 <i>HK\$'000</i>
Sovereign exposures	15,685	17,794
Public Sector Entity exposures	1,862	2,002
Bank exposures	87,641	80,620
Other exposures	32,196	27,559
	<hr/>	<hr/>
Total risk-weighted amount for on-balance sheet exposures	137,384	127,975
	<hr/>	<hr/>
Transaction-related contingencies	-	-
Trade-related contingencies	-	-
	<hr/>	<hr/>
Total risk-weighted amount for off-balance sheet exposures	-	-
	<hr/>	<hr/>
Total risk-weighted amount for credit risk	137,384	127,975
	<hr/>	<hr/>

**(b) Risk-weighted amount for market risk**

The Group is exempted from the calculation of market risk in 2018 and 2017.

**(c) Risk-weighted amount for operational risk**

The Group uses the basic indicator approach for calculation of operational risk.

	<i>As at</i> 30 Jun 2018 <i>HK\$'000</i>	<i>As at</i> 31 Dec 2017 <i>HK\$'000</i>
Risk-weighted amount for operational risk	71,188	68,350
	<hr/>	<hr/>

## 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

	<i>As at</i> 30 Jun 2018 HK\$'000	<i>As at</i> 31 Dec 2017 HK\$'000
Loans for use in Hong Kong		
- Individuals - others	-	-
Loans for use outside Hong Kong	21,706	17,754
	<u>21,706</u>	<u>17,754</u>

Gross advances to customers by geographical area

	<i>As at</i> 30 Jun 2018 HK\$'000	<i>As at</i> 31 Dec 2017 HK\$'000
Residential status of customers:		
The Philippines	21,706	17,754
	<u>21,706</u>	<u>17,754</u>

The above gross advances only include gross advances to customers. The related collective provisions maintained in regulatory reserve source from the same geographical area.

## 5 Segmental information (continued)

### (iii) International claims

International claims are on-balance sheet exposure to counterparties based on the location of the counterparties after taking into account the transfer of risk, and represent the sum of cross-border claims in all currencies and local claims in foreign currencies. The table shows claims on individual countries and territories or areas, after recognised risk transfer, amounting to not less than 10% of the Group's total international claims.

30 June 2018	Non-Bank Private Sector					Total HK\$'000
	Banks HK\$'000	Official Sector HK\$'000	Of which: Non-bank financial institution HK\$'000	Of which: non- financial private sector HK\$'000	Other HK\$'000	
1. Developed Countries						
of which Australia	7,000	-	-	-	-	7,000
of which United Kingdom	41,000	-	-	6,000	-	47,000
of which United States	27,000	8,000	-	-	-	35,000
of which Japan	8,000	-	-	-	-	8,000
2. Offshore Centers						
of which Cayman Island	-	-	-	-	-	-
of which Singapore	-	-	-	-	-	-
of which Hong Kong	284,000	-	-	-	-	284,000
3. Developing Africa and Middle East						
of United Arab Emirates	6,000	-	-	-	-	6,000
4. Developing Asia and Pacific						
of which Philippines	5,000	1,000	-	24,000	-	30,000
of which Indonesia	-	14,000	-	-	-	14,000
of which South Korea	-	-	10,000	-	-	10,000

## 5 Segmental information (continued)

31 December 2017	Non-Bank Private Sector					Total HK\$'000
	Banks HK\$'000	Official Sector HK\$'000	Of which: Non-bank financial institution HK\$'000	Of which: non- financial private sector HK\$'000	Other HK\$'000	
1. Developed Countries						
of which Australia	7,000	-	-	-	-	7,000
of which United Kingdom	16,000	-	-	6,000	-	22,000
of which United States	25,000	23,000	-	-	-	48,000
of which Japan	8,000	-	-	-	-	8,000
2. Offshore Centers						
of which Cayman Island	-	-	-	-	-	-
of which Singapore	-	-	-	-	-	-
of which Hong Kong	273,000	-	-	-	-	273,000
3. Developing Africa and Middle East						
of United Arab Emirates	8,000	-	-	-	-	8,000
4. Developing Asia and Pacific						
of which Philippines	7,000	3,000	-	22,000	-	32,000
of which Indonesia	-	-	-	14,000	-	14,000
of which South Korea	-	-	11,000	-	-	11,000

## 6 Overdue and rescheduled loans

There were no overdue and rescheduled loans and repossessed assets as at 30 June 2018 (2017: Nil).