

BPI International Finance Limited

**Unaudited Interim Results
For the six months ended 30 June 2020**

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Directors' Report

The directors of BPI International Finance Limited (the "Company") are pleased to announce that the unaudited interim results of the Company's operations for the six months ended 30 June 2020.

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.

Results and appropriations

The results of the Company for the period ended 30 June 2020 are set out in the statement of profit and loss and other comprehensive income on page 3.

The directors do not recommend the payment of interim dividend in 2020 (2019: Nil).

Directors of the Company

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

Archie Lin
Jonathan Paul Back
Ki Myung Hong
Tomas S. Chuidian
Sheila Marie Uriarte Tan
Jesse Ong Ang

There being no provision in the Company's articles of association in connection with the retirement of directors, all existing directors continue in office for the following year.

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's 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 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 months ended 30 June 2020 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



Jonathan Paul Back

Hong Kong

04 SEP 2020

**Statement of profit and loss
and other comprehensive income
for the six months ended 30 June 2020 (unaudited)**

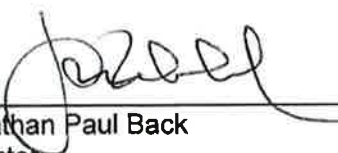
	<i>Note</i>	<i>For the six months ended 30 Jun 2020 HK\$'000</i>	<i>For the six months ended 30 Jun 2019 HK\$'000</i>
Interest income	3	2,324	5,136
Interest expense		(773)	(1,482)
Net interest income		1,551	3,654
Other operating income	4	11,631	9,728
Total operating income		13,182	13,382
Credit impairment (charged)/ release		(64)	632
Operating expenses	5	(20,523)	(25,803)
Loss from operations		(7,405)	(11,789)
Finance costs	7	(108)	(904)
Loss before taxation		(7,513)	(12,693)
Income tax	6	-	-
Loss for the period		(7,513)	(12,693)
Other comprehensive income:			
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		743	584
Total comprehensive income for the period		(6,770)	(12,109)


The notes on pages 8 to 18 are an integral part of these financial statements.

Statement of financial position as at 30 June 2020 (unaudited)

	Note	As at 30 Jun 2020 HK\$'000	As at 31 Dec 2019 HK\$'000
Assets			
Cash and short-term funds	8	99,964	111,287
Placements with banks and other financial institutions maturing between one and twelve months	9	134,120	131,917
Financial assets designated at amortised cost	10	-	3,969
Advances and other accounts	11	25,504	26,120
Financial assets designated at fair value through other comprehensive income	12	102,136	96,701
Fixed assets	13	14,436	18,071
Total assets		<u>376,160</u>	<u>388,065</u>
Liabilities			
Time deposits from customers		225,190	224,533
Lease liabilities	14	9,739	12,462
Other payables		3,964	7,033
Total liabilities		<u>238,893</u>	<u>244,028</u>
Equity			
Share capital		75,000	75,000
Retained earnings		61,344	68,857
Investment revaluation reserve		923	180
		<u>137,267</u>	<u>144,037</u>
Total equity and liabilities		<u>376,160</u>	<u>388,065</u>

The financial statements on pages 3 to 18 were approved by the Board of Directors on and were signed on its behalf.


Jonathan Paul Back
Director


Archie Lin
Director

04 SEP 2020

04 SEP 2020

The notes on pages 8 to 18 are an integral part of these financial statements.

Statement of changes in equity for the six months ended 30 June 2020 (unaudited)

	Share capital HK\$'000	Investment revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2019	75,000	(439)	90,180	164,741
Comprehensive income				
Loss for the year	-	-	(21,323)	(21,323)
Other comprehensive income				
Change in fair value of Financial assets designated at fair value through other comprehensive income, net of tax	-	619	-	619
Total comprehensive income for the year	-	619	(21,323)	(20,704)
At 31 December 2019 and 1 January 2020	75,000	180	68,857	144,037
Comprehensive income				
Loss for the period	-	-	(7,513)	(7,513)
Other comprehensive income				
Change in fair value of Financial assets designated at fair value through other comprehensive income, net of tax	-	743	-	743
Total comprehensive income for the period	-	743	(7,513)	(6,770)
At 30 June 2020	75,000	923	61,344	137,267

The notes on pages 8 to 18 are an integral part of these financial statements.

Statement of cash flows for the six months ended 30 June 2020 (unaudited)

	Note	For the six months ended 30 Jun 2020 \$'000	For the six months ended 30 Jun 2019 \$'000
Net cash outflow from operating activities before taxation	19	(49,409)	(4,542)
Hong Kong profits tax paid		-	-
Net cash outflow from operating activities after taxation		(49,409)	(4,542)
Investing activities			
Purchase of Fixed assets		(344)	(17,625)
Proceeds from sale of Fixed assets		6	-
Purchase of Financial assets designated at fair value through other comprehensive income		(32,716)	(28,880)
Proceeds from redemption of Financial assets designated at fair value through other comprehensive income		27,188	51,551
Proceeds from redemption of Financial assets designated at amortised cost		3,886	-
Interest received from Financial assets designated at fair value through other comprehensive income		1,749	2,008
Interest received from Financial assets designated at amortised cost		92	146
Net cash (outflow)/ inflow from investing activities		(139)	7,200
Financing activities			
Lease payment (principal portion)		(2,733)	(937)
Lease payment (interest portion)		(113)	-
Net cash outflow from financing activities		(2,846)	(937)

Statement of cash flows
for the six months ended 30 June 2020 (unaudited)
(continued)

	<i>Note</i>	<i>For the six months ended 30 Jun 2020 \$'000</i>	<i>For the six months ended 30 Jun 2019 \$'000</i>
(Decrease)/ Increase in cash and cash equivalents		(52,394)	1,721
Cash and cash equivalents at 1 January		<u>227,587</u>	<u>258,036</u>
Cash and cash equivalents at 30 June		<u><u>175,193</u></u>	<u><u>259,757</u></u>
 Analysis of cash and cash equivalents			
Balances with banks and other financial institutions	8	86,781	48,849
Placement with banks and other financial institutions with original maturity within three months		<u>88,412</u>	<u>210,908</u>
		<u><u>175,193</u></u>	<u><u>259,757</u></u>

The notes on pages 8 to 18 are an integral part of these financial statements.

Notes to the financial statements

1 General information

The principal activities of BPI International Finance Limited (the "Company") 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 5/F, LHT Tower, 31 Queen's Road Central, Hong Kong.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investments in debt and equity securities are stated at their fair value as explained in the accounting policies.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Significant accounting policies (continued)

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements. Management are required to discuss about the major sources of estimation uncertainty.

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Company.

- Amendments to HKFRS 3, Definition of a Business and
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions
 - (i) Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. It did not result in a material impact to the Company's interim report.

(ii) Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. There is no impact to the Company's interim report.

3 Interest income

	<i>For the six months ended 30 Jun 2020 HK\$'000</i>	<i>For the six months ended 30 Jun 2019 HK\$'000</i>
Interest income on investments in securities	925	1,046
Interest income on placements with banks	1,136	3,593
Interest income from advances to customers	263	497
	<u>2,324</u>	<u>5,136</u>

4 Other operating income

	<i>For the six months ended 30 Jun 2020 HK\$'000</i>	<i>For the six months ended 30 Jun 2019 HK\$'000</i>
Service fees and commission income	11,011	8,770
Foreign exchange losses, net	(606)	(485)
Net gain from dealing in securities	1,226	1,443
	<u>11,631</u>	<u>9,728</u>

5 Operating expenses

	<i>For the six months ended 30 Jun 2020 HK\$'000</i>	<i>For the six months ended 30 Jun 2019 HK\$'000</i>
Staff costs:		
– Wages and salaries	11,905	13,267
– Pension costs - defined contribution plans	499	419
– Other benefits and allowance	892	1,551
Rental of premises	87	2,106
Depreciation (Note 13)	3,987	1,912
Auditor's remuneration	484	518
Taxation fee	33	18
Telecommunication and postage	710	1,075
Other operating expenses	1,926	4,937
	<u>20,523</u>	<u>25,803</u>

Staff costs -Wages and salaries include directors' emoluments.

6 Income tax expense

No provision for Hong Kong Profits Tax has been made for the current and prior periods as the Company sustained a loss for taxation purposes in both periods.

For the period ended 30 June 2020, the provision for Hong Kong Profits Tax was calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the period.

7 Finance costs

	<i>For the six months ended 30 Jun 2020 HK\$'000</i>	<i>For the six months ended 30 Jun 2019 HK\$'000</i>
Interest expenses incurred from lease liabilities	108	904

8 Cash and short-term funds

	<i>As at 30 Jun 2020 HK\$'000</i>	<i>As at 31 Dec 2019 HK\$'000</i>
Cash and balances with banks and other financial institutions	86,781	84,750
Placements with banks and other financial institutions maturing within one month	13,200	26,537
Credit impairment for cash and short-term funds	(17)	-
	99,964	111,287

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

	<i>As at 30 Jun 2020 HK\$'000</i>	<i>As at 31 Dec 2019 HK\$'000</i>
Placements with banks and other financial institutions – maturing between 1 and 3 months	134,135	131,917
Credit impairment for placements with banks and other financial institutions maturing between one and twelve months	(15)	-
	134,120	131,917

10 Financial assets designated at amortised cost

	<i>As at</i> 30 Jun 2020 HK\$'000	<i>As at</i> 31 Dec 2019 HK\$'000
Financial assets designated at amortised cost - Listed outside Hong Kong and issued by banks and other financial institutions	-	3,969
Fair value of listed securities	-	3,896

11 Advances and other accounts

	<i>As at</i> 30 Jun 2020 HK\$'000	<i>As at</i> 31 Dec 2019 HK\$'000
Advances to customers	17,749	18,956
Other accounts	7,755	7,164
	<u>25,504</u>	<u>26,120</u>

12 Financial assets designated at fair value through other comprehensive income

	<i>As at</i> 30 Jun 2020 HK\$'000	<i>As at</i> 31 Dec 2019 HK\$'000
Financial assets designated at fair value through other comprehensive income		
- Listed outside Hong Kong and issued by banks and other financial institutions	52,088	36,311
- Listed outside Hong Kong and issued by corporate entities	1,908	1,940
- Listed outside Hong Kong and issued by central government	48,140	58,450
	<u>102,136</u>	<u>96,701</u>

13 Fixed assets

	<i>Leasehold improvements</i> HK\$'000	<i>Furniture, fixtures and equipment</i> HK\$'000	<i>Right of use assets</i> HK\$'000	<i>Total</i> HK\$'000
At 1 January 2019				
Impact on initial application of HKFRS 16	-	-	212	212
Cost	2,821	1,899	-	4,720
Accumulated depreciation	(2,819)	(1,677)	-	(4,496)
Net book value	<u>2</u>	<u>222</u>	<u>212</u>	<u>436</u>
Year ended 31 December 2019				
Opening net book value	2	222	212	436
Additions	5,361	1,855	16,880	24,096
Disposal	-	(323)	(212)	(535)
Depreciation charge	(1,193)	(654)	(4,532)	(6,379)
Written back on disposal	-	322	131	453
Closing net book value	<u>4,170</u>	<u>1,422</u>	<u>12,479</u>	<u>18,071</u>
At 31 December 2019 and 1 January 2020				
Cost	5,361	3,431	16,880	25,672
Accumulated depreciation	(1,191)	(2,009)	(4,401)	(7,601)
Net book value	<u>4,170</u>	<u>1,422</u>	<u>12,479</u>	<u>18,071</u>

13 Fixed assets (continued)

	<i>Leasehold improvements</i> HK\$'000	<i>Furniture, fixtures and equipment</i> HK\$'000	<i>Right of use assets</i> HK\$'000	<i>Total</i> HK\$'000
Period ended 30 June 2020				
Opening net book value	4,170	1,422	12,479	18,071
Additions	-	344	15	359
Disposal	-	(22)	-	(22)
Cost denominated in USD	-	(4)	-	(4)
Depreciation charge	(894)	(303)	(2,790)	(3,987)
Written back on disposal	-	15	-	15
Accumulated depreciation denominated in USD	-	4	-	4
Closing net book value	3,276	1,456	9,704	14,436
At 30 June 2020				
Cost	5,361	3,749	16,895	26,005
Accumulated depreciation	(2,085)	(2,293)	(7,191)	(11,569)
Net book value	3,276	1,456	9,704	14,436

14 Lease liabilities

The following table shows the remaining contractual maturities of the Company's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	30 June 2020		31 December 2019		1 January 2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	5,567	5,695	5,513	5,692	196	198
After 1 year but within 2 years	4,022	4,057	5,604	5,691	16	17
After 2 years but within 5 years	150	153	1,345	1,353	-	-
	<u>4,172</u>	<u>4,210</u>	<u>6,949</u>	<u>7,044</u>	<u>16</u>	<u>17</u>
	<u>9,739</u>	<u>9,905</u>	<u>12,462</u>	<u>12,736</u>	<u>212</u>	<u>215</u>
Less: total future interest expenses		<u>(166)</u>		<u>(274)</u>		<u>(2)</u>
Present value of lease liabilities		<u>9,739</u>		<u>12,462</u>		<u>213</u>

15 Commitments

On 1 January 2019, the Company adopted HKFRS 16 Leases, HKFRS 16 replaces HKAS17, Leases. Under HKFRS16, the leases under the Company are no longer classified as operating leases.

As at 30 June 2019 and 2020, there is nil future aggregate minimum lease payment under non-cancellable operating leases.

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 as at respective date:

	<i>As at</i> <i>30 Jun 2020</i> HK\$'000	<i>As at</i> <i>31 Dec 2019</i> HK\$'000
Commitment		
Loan commitments with an original maturity of under 1 year or which are unconditionally cancellable without prior notice	19,265	3,768
Loan commitments with an original maturity of under 1 year	12,844	2,516
	<u>32,109</u>	<u>6,284</u>

17 Loans to officers

As at 30 June 2020, 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 with related parties:

	<i>For the six months ended 30 Jun 2020 HK\$'000</i>	<i>For the six months ended 30 Jun 2019 HK\$'000</i>
System services charge from ultimate holding company	<u>322</u>	<u>316</u>

System service charge represents charges for usage of ultimate holding company's systems and various processes outsourced to BPI Global Services. Charges are fixed fee per month.

(b) Period-end balances with related parties:

	<i>As at 30 Jun 2020 HK\$'000</i>	<i>As at 31 Dec 2019 HK\$'000</i>
Bank balance held in ultimate holding company	<u>2,723</u>	<u>373</u>

The bank balance held with the ultimate holding company which is a bank in the Republic of the Philippines. The balances are unsecured and interest-bearing at commercial rate.

19 Note to the cash flow statement

Reconciliation of loss before taxation to net cash outflows from operating activities:

	<i>As at</i> 30 Jun 2020 HK\$'000	<i>As at</i> 30 Jun 2019 HK\$'000
Loss before taxation	(7,513)	(12,693)
Adjustments for:		
Net interest income	(1,551)	(2,749)
Depreciation of fixed assets	3,987	1,912
Credit impairment charged/ (released)	64	(632)
Loss from disposal of Fixed assets	1	-
Finance cost	108	-
Changes in working capital:		
(Increase)/ decrease in placements with banks and other financial institutions with original maturity over three months	(43,307)	4,165
Decrease in advances and other accounts	1,986	28,471
Decrease in time deposits from customers	(115)	(35,229)
(Decrease)/ increase in other payables	(3,069)	12,213
Cash used in operating activities	<u>(49,409)</u>	<u>(4,542)</u>

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 financial statements available for public use.

21 Approval of financial statements

The financial statements were approved by the board of directors on **04 SEP 2020**