

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Note	March 2018 (Rupees in '000)	Dec 2017
ASSETS			
Cash and balances with treasury banks	8	6,085,399	5,521,360
Balances with other banks	9	56,760	285,720
Lendings to financial institutions		-	-
Investments		-	-
Advances		-	-
Operating fixed assets	10	197,493	195,879
Deferred tax assets		-	-
Other assets	11	19,170	28,193
		6,358,822	6,031,152
LIABILITIES			
Bills payable		-	-
Borrowings		923	-
Deposits and other accounts		199,270	-
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	12	714,889	721,492
		915,082	721,492
NET ASSETS		<u>5,443,740</u>	<u>5,309,660</u>
REPRESENTED BY:			
Head office capital account	13	5,774,995	5,520,860
Reserves		-	-
Accumulated loss		<u>(331,255)</u>	<u>(211,200)</u>
		5,443,740	5,309,660
Surplus/ (deficit) on revaluation of assets		-	-
		<u>5,443,740</u>	<u>5,309,660</u>
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes from 1 to 24 form an integral part of these financial statements.

Dyputy CEO

Manager Finance

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD FROM 01 JANUARY 2018 TO 31 MARCH 2018

	Note	March 2018 (Rupees in '000)
Mark-up / return / interest earned		-
Mark-up / return / interest expensed		(98)
Net mark-up / interest expense		(98)
Provision against non-performing loans and advances		-
Provision for diminution in the value of investments		-
Bad debts written off directly		-
Net Mark-up / return / income after provisions		(98)
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income		2,446
Dividend income		-
Income from dealing in foreign currencies		-
Gain / (loss) on sale of securities		-
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading		-
Other income		-
Total non-mark-up / interest income		2,446
		2,348
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	15	122,403
Other provisions / write-offs		-
Other charges		-
Total non-mark-up / interest expenses		122,403
Extra ordinary / unusual items		-
LOSS BEFORE TAXATION		(120,055)
Taxation - Current		-
- Prior years		-
- Deferred		-
LOSS AFTER TAXATION	16	(120,055)
Earning per share - basic and diluted	17	-

The annexed notes from 1 to 24 form an integral part of these financial statements.

Dyputy CEO

Manager Finance

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
CASH FLOW STATEMENT
FOR THE PERIOD FROM 01 JANUARY 2018 TO 31 MARCH 2018

	Note	March 2018 (Rupees in '000)	Dec 2017 (Rupees in '000)
Cash flows from operating activities			
Loss before taxation		(120,055)	(211,200)
Adjustments for non - cash items:			
Depreciation		-	-
Amortisation		-	-
(Gain) / loss on sale of operating fixed assets		-	-
Provision against non-performing loans and advances		-	-
Provision against other assets - net		-	-
		<u>(120,055)</u>	<u>(211,200)</u>
Increase in operating assets			
Advances		-	-
Others assets		9,023	(28,193)
		9,023	(28,193)
Increase in operating liabilities			
Bills payable		-	-
Borrowings		923	-
Deposits and other accounts		199,270	-
Other liabilities		(6,603)	721,492
		<u>193,590</u>	<u>721,492</u>
		<u>82,558</u>	<u>482,099</u>
Income tax paid		-	-
Net cash from operating activities		<u>82,558</u>	<u>482,099</u>
Cash flows from investing activities			
Net investment in operating fixed assets		<u>(1,614)</u>	<u>(195,879)</u>
Net cash used in investing activities		<u>(1,614)</u>	<u>(195,879)</u>
Cash flows from financing activities			
Remittance received from head office in respect of capital		-	5,270,110
Net cash generated from financing activities		-	5,270,110
Effects of exchange rate changes on cash and cash equivalents		<u>254,135</u>	<u>250,750</u>
Increase in cash and cash equivalents		<u>335,079</u>	<u>5,807,080</u>
Cash and cash equivalents at beginning of the period		<u>5,807,080</u>	-
Cash and cash equivalents at end of the period	18.	<u><u>6,142,159</u></u>	<u><u>5,807,080</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

Dyputy CEO

Manager Finance

**BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 01 JANUARY 2018 TO 31 MARCH 2018**

	March, 2018 (Rupees in '000)
Loss after taxation for the period	(120,055)
Other comprehensive income	-
<i>Item that will not be reclassified to profit or loss account in subsequent period:</i>	
Exchange adjustment on account of revaluation of Head Office Capital	254,135
Total comprehensive income for the period	134,080

The annexed notes from 1 to 24 form an integral part of these financial statements.

Dyputy CEO

Manager Finance

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 01 JANUARY 2018 TO 31 MARCH 2018

	Head Office Capital account	Accumulated loss (Rupees in '000)	Total
Received from head office during the period	5,270,110	-	5,270,110
Total comprehensive income for the period			
Loss after taxation for the period	250,750	(211,200)	(211,200)
Exchange adjustment on revaluation of capital	250,750	-	250,750
Total comprehensive income for the period	250,750	(211,200)	39,550
Balance as at 31 December 2017	5,520,860	(211,200)	5,309,660
Total comprehensive income for the period			
Loss after taxation for the period	254,135	(120,055)	(120,055)
Exchange adjustment on revaluation of capital	254,135	-	254,135
Total comprehensive income for the period	254,135	(120,055)	134,080
Balance as at 31 March 2018	5,774,995	(331,255)	5,443,740

The annexed notes from 1 to 24 form an integral part of these financial statements.

Dyputy CEO

Manager Finance

BANK OF CHINA LIMITED - PAKISTAN OPERATIONS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM 01 JANUARY 2018 TO 31 MARCH 2018

1. STATUS AND NATURE OF BUSINESS

Bank of China Limited - Pakistan operations (the Bank) was established and registered in Pakistan by the Securities and Exchange Commission of Pakistan on 18 April 2017. The Bank operates as a branch of Bank of China which is incorporated as a State-owned joint stock commercial bank in the People's Republic of China. The State Bank of Pakistan issued banking licence to the Bank on 11 May 2017 to engage in banking services as described in the Banking Companies Ordinance, 1962. The registered office of the Bank is located at 5th Floor COB Dolmen City Clifton Karachi. At present the Bank operates one Branch in Karachi.

The parent company of Bank of China Limited (BOC) is Central Huijin Investment Limited which owned 64.02% of the ordinary shares of BOC as at 31 December 2016. Central Huijin Investment Limited is a wholly owned subsidiary of China Investment Corporation. BOC has been assigned long-term and short-term rating by Standard & Poors of "A" and "A-1" respectively.

2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BSD Circular No. 04, dated 17 February 2006.

These financial statements are presented in Pak Rupees which is the Bank's functional currency and presentation currency.

3. STATEMENT OF COMPLIANCE

3.1. These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board, as are notified under the Companies Ordinance, 1984 (repealed) provisions of and directives issued under the Companies Ordinance, 1984 (repealed) the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP. Wherever the requirements of the provisions and directives issued under the Companies Ordinance, 1984 (repealed) the Banking Companies Ordinance, 1962, and the directives issued by the SECP and the SBP differ from the requirements of IFRS, the provisions of and the directives issued under the Companies Ordinance, 1984 (repealed) the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP shall prevail.

3.1.1 The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as allowed by the SECP vide its circular dated October 04, 2017, financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

3.2. SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention.

5. ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and 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 result of which forms the basis of making judgment 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. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of revision and future periods if the revision affects both current and future periods. The estimates and judgments that have a significant effect on the financial statements are in respect of the following:

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The significant accounting areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in the application of the accounting policies are as follows:

- (a) Depreciation of operating fixed assets (note 7.1).
- (b) Assumption and estimation in recognition of provision for taxation and deferred taxation (note 7.2).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

6. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

- 6.1. The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, Interpretation or amendment	Effective date (accounting periods beginning on or
IFRS 2 Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 9 Financial Instruments: Classification and Measurement (See paragraph 6.2 below)	01 July 2018
IFRS 10 Consolidated financial statements	01 January 2018
IAS 28 Investments in Associates and Joint Ventures-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	not yet finalized
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IFRS 15 Revenue from Contracts with Customers	01 July 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019

- 6.2. The above standards, amendments and interpretations are not expected to have any material impact on the Bank's financial statements in the period of initial application except for IFRS -9 . With regard to IFRS -9, the Bank considers that as the Prudential Regulations and other SBP directives currently provide the accounting framework for the measurement and valuation of investments and provision against non performing financings, the implementation of IFRS-9 may require changes in the regulatory regime. Therefore, the Bank expects that the SBP would issue suitable guidance and instruction on the application of IFRS-9 for the banking sector of Pakistan
- 6.3. In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019. The Bank expects that such improvements to the standards will not have any impact on the Bank's financial statements in the period of initial application.
- 6.4. Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards

IFRS 14 – Regulatory Deferral Accounts
IFRS 16 – Leases
IFRS 17 – Insurance Contracts

7. Significant Accounting policies

The significant accounting policies adopted in the preparation of these financial statements are as follows:

7.1 Properties and equipment

Properties and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The assets purchased or constructed are initially measured at acquisition cost or deemed cost, as appropriate. Such initial cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in an asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred

Depreciation is calculated on the straight-line method to write down the cost of such assets to their residual values over their estimated useful lives. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial reporting date.

Gains and losses on disposal of fixed assets is taken to profit and loss account for the year.

7.2 Impairment

At each balance sheet date, the Bank reviews the carrying amount of its assets to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the relevant asset is estimated. Recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account for the year.

7.3 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit and loss account except to the extent that it relates to the items recognised directly in equity or surplus on revaluation of assets, in which case it is recognised in equity or surplus on revaluation of assets.

Current

Provision for current tax is based on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date and any adjustments to the tax payable in respect of previous years. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities.

Deferred

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except. In respect of taxable temporary differences associated with investment in in foreign operations, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

7.4 Provisions and contingent liabilities

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

Contingent liabilities are disclosed unless the probability of outflow of resources embodying economic benefits is remote.

7.5 Transactions and balances in foreign currencies

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently, however, exchange difference on revaluation of capital is taken to equity through 'other comprehensive income'.

7.6 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of ownership of the asset. Financial liabilities are de-recognised when obligation is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognised in the profit and loss account of the current period.

7.7 Off-setting

Financial assets and financial liabilities are only off-set and the net amount is reported in the financial statements when there is a legally enforceable right to set-off the recognised amount and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously. Income and expense items of such assets and liabilities are also off-set and the net amount is reported in the financial statements.

7.8 Segment reporting

An operating segment is a component of an entity that engages in business activities, from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Segment information is presented as per the guidelines of SBP.

		Note	March 2018 (Rupees in '000)	Dec 2017 (Rupees in '000)
8.	CASH AND BALANCES WITH TREASURY BANKS			
	In hand:			
	Local currency		4,895	500
	Foreign currency		-	-
			<u>4,895</u>	<u>500</u>
	With State Bank of Pakistan in:			
	Local currency current account		190,010	-
	Foreign currency current account		115,499	-
	Foreign currency deposit account (Capital account)	8.1	<u>5,774,995</u>	<u>5,520,860</u>
			<u>6,080,504</u>	<u>5,520,860</u>
			<u><u>6,085,399</u></u>	<u><u>5,521,360</u></u>

8.1 This represents capital maintained with SBP in accordance with the requirements of Section 13(3) of the Banking Companies Ordinance, 1962.

		Note	March 2018 (Rupees in '000)	Dec 2017 (Rupees in '000)
9.	BALANCES WITH OTHER BANKS			
	In Pakistan			
	Current accounts		-	230,371
	Outside Pakistan			
	Current accounts	9.1	<u>56,760</u>	<u>55,349</u>
			<u>56,760</u>	<u>285,720</u>

9.1 This represents US Dollar amount held with the Head Office.

		Note	March 2018 (Rupees in '000)	Dec 2017 (Rupees in '000)
10.	OPERATING FIXED ASSETS			
	Properties and equipments	10.1	<u>197,493</u>	<u>195,879</u>
			<u>197,493</u>	<u>195,879</u>

10.1. Properties and equipments

	period of Depreciation Years	Cost			Accumulated Depreciation			Book value
		As at 31 Dec 2017	Additions	As at 31 March 2018	As at 31 Dec 2017	Charge for the period	As at 31 March 2018	As at 31 March 2018
		(Rupees in '000)						
Furniture and fixture	5	-	17,093	17,093	-	807	807	16,286
Office and computer equipment	3 - 5	-	60,731	60,731	-	4,282	4,282	56,449
Vehicles	6	-	38,250	38,250	-	1,546	1,546	36,704
Leasehold improvements	5	-	88,054	88,054	-	-	-	88,054
		-	204,128	204,128	-	6,635	6,635	197,493

		Note	March 2018 (Rupees in '000)	Dec 2017 (Rupees in '000)
11.	OTHER ASSETS			
	Fees receivable		1,247	-
	Prepaid rent		5,969	16,380
	Security deposits		<u>11,954</u>	<u>11,814</u>
			<u>19,170</u>	<u>28,194</u>

	Note	March 2018 (Rupees in '000)	Dec 2017 (Rupees in '000)
Deposits			
Demand Deposits		199,270	-
Borrowings			
Borrowing from Head Office		923	-
12. OTHER LIABILITIES			
Payable to Head Office	12.1.	672,888	643,801
Withholding tax payable		482	530
Accrued expenses		5,594	18,173
Branch Adjustment Account		8,703	-
Interest Payable		5	-
Deferred Income		1,896	-
Salaries payable		25,321	58,988
		<u>714,889</u>	<u>721,492</u>
12.1. This represents amount advanced by the head office for the purposes of initial set up of Bank's operations in Pakistan. This amount is not subject to interest.			
13. HEAD OFFICE CAPITAL ACCOUNT			
Capital held as :			
Foreign currency deposit with State Bank of Pakistan			
Remitted from Head Office (USD 50 million)	8.1	<u>5,774,995</u>	<u>5,520,860</u>
14. CONTINGENCIES AND COMMITMENTS			
14.1. Trade- related contingent liabilities			
Includes performance gurrantee issued in favour of:			
Government		<u>1,752</u>	<u>739,274</u>
			For the period from 01 Jan 2018 to 31 March 2018
15. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.			48,770
Borrowing/Placement from HO			5
Rent, taxes, insurance, electricity, etc.			17,774
Legal and professional charges			2,047
Communications			161
Repairs and maintenance			982
Advertisement and publicity			1,608
Security service charges			1,421
Fees and subscription			10,385
Travelling and entertainment			4,233
Head office expense			7
Exchange loss			19,669
Others			15,341
			<u>122,403</u>
16. TAXATION			
16.1 As the Bank has no taxable income during the period ended 31 March 2018. Accordingly, no provision for taxation has been made in these financial statements. The deferred tax consequences are considered immaterial and hence not recognised in these financial statements.			
17. EARNING / LOSS PER SHARE			
The Bank operates as a bank of a foreign entity and does not have a share capital. Hence, no figures of basic and diluted earning loss per share have been reported in these financial statements.			
18. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	8	6,085,399	5,521,360
Balances with other banks	9	56,760	285,720
		<u>6,142,159</u>	<u>5,807,080</u>

(Number)

19. STAFF STRENGTH

Permanent	25
Outsourced	8
	<u>33</u>

20. FAIR VALUE 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. In the opinion of the management, fair value of the financial assets and liabilities are not significantly different from their carrying values.

21. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The Bank has yet to start its banking operations, hence, segment wise analysis of business activities is not applicable.

22. RELATED PARTY TRANSACTIONS

The Bank has undertaken related party transactions with its Head Office, other branches of BOC and its executive officers. Details of transactions with related parties other than disclosed in note 20 are as follows:

	Head office and branches (Rupees in '000)
Transactions during the period:	
Funds received from Head office	672,888
Balance as at the end of the period:	
Payable to Head office	<u>672,888</u>
Bank balance	56,760

23. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on _____ by the Chief Executive Officer/ Country Head and Manager Finance of the Bank.

24. GENERAL

- 24.1.** Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the State Bank of Pakistan, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions in the statement of financial position and profit and loss account.
- 24.2** The Bank has commenced operations with effect from April 18, 2017 and hence there are no corresponding figures to report for Profit and Loss Items.
- 24.3** Figures have been rounded off to the nearest thousand rupees.

 Deputy CEO

 Manager Finance