

Significant Events

Formulation and Implementation of Profit Distribution Policy

Ordinary Shares

In 2009, the Bank amended the Articles of Association to state that the Bank should maintain the continuity and stability of its profit distribution policy.

In 2013, the Bank amended the Articles of Association related to the cash dividend. This amendment clarified the Bank's profit distribution principles, policy and adjustment procedures, the consideration process of the profit distribution plan and other matters. The amendment stated that the Bank shall adopt cash dividend as the priority form of profit distribution. Except under special circumstances, the Bank shall adopt cash as the form of dividend distribution where there is profit in that year and the accumulated undistributed profit is positive, and that the cash distribution of the dividend shall not be less than 10% of the profit after tax attributable to the ordinary shareholders of the Bank. The amendment also stated that the Bank shall offer online voting to shareholders when considering amendments to profit distribution policy and profit distribution plan.

In 2014, the Bank formulated the *Shareholder Return Plan for 2014 to 2016* to specify the basic principles, shareholder return plan and decision-making and supervisory mechanisms regarding the formulation, implementation and amendment of the shareholder return of the Bank.

The procedure to formulate the aforementioned profit distribution policy was compliant, transparent and complete. The criterion and ratio of the dividend are explicit and clear. The independent directors fully expressed their opinions and the legitimate rights and interests of minority shareholders were fully respected and protected. The procedure was in line with the provisions of the Articles of Association and other rules and regulations.

The profit distribution plan for ordinary shares of the Bank shall be approved by the shareholders' meeting. In 2016, the Bank distributed dividends on ordinary shares for 2015 in strict compliance with the Articles of Association, its dividend distribution policy and the shareholders' meeting resolution on profit distribution.

Preference Shares

The preference shareholders of the Bank receive dividend at the specified dividend rate prior to the ordinary shareholders. The Bank shall pay the dividend to the preference shareholders in cash. The Bank shall not distribute the dividend on ordinary shares before all the dividend of preference shares has been paid.

Dividend on the Bank's preference shares will be distributed on an annual basis. The first dividend period begins on the date of issuance of the preference shares. Once the preference shareholders have received dividends at the specified dividend rate, they shall not be entitled to participate in the distribution of the remaining profits of the Bank together with the ordinary shareholders.

The preference share dividend is non-cumulative. If any preference share dividend for any dividend period is not paid in full, such remaining amount of dividend shall not be carried forward to the following dividend year. The Bank shall be entitled to cancel the payment of any dividend on the preference shares, and such cancellation shall not constitute a default. The Bank may at its discretion use the funds arising from the cancellation of such dividend payment to repay other indebtedness due and payable.

Dividend payments are independent of the Bank's credit rating, nor do they vary with the credit rating.

Profit Distribution during the Reporting Period

The 2015 Annual General Meeting on 7 June 2016 considered and approved the Bank's profit distribution plan as follows: appropriation to statutory surplus reserve of RMB15.686 billion; appropriation to general and regulatory reserves of RMB20.144 billion; no appropriation to the discretionary reserve; considering the Bank's business performance, financial position, and the capital requirements for the future development of the Bank, RMB0.175 per share (before tax) was proposed to be distributed as cash dividends on ordinary shares to A-Share Holders and H-Share Holders whose names appear on the register of members of the Bank as at the market close on 23 June 2016, amounting to approximately RMB51.518 billion (before tax) in total. The dividend distribution has been completed. The Bank did not distribute an interim dividend on ordinary shares for the period ended on 30 June 2016, nor did it propose any capitalisation of capital reserve into share capital during the reporting period.

At the Board meeting held on 19 January 2016, the dividend distribution plan for the Bank's Domestic Preference Shares (Second Tranche) was approved. The Bank distributed a total of RMB1.540 billion (before tax) of dividends on the Domestic Preference Shares (Second Tranche) on 14 March 2016, with an annual dividend rate of 5.50% (before tax). The dividend distribution plan has been accomplished.

At the Board meeting held on 30 August 2016, the dividend distribution plans for the Bank's Offshore Preference Shares and Domestic Preference Shares (First Tranche) were approved. The Bank will distribute dividends on Offshore Preference Shares on 24 October 2016. According to the issuance terms of the Offshore Preference Shares, dividends on Offshore Preference Shares will be denominated in RMB and paid in US dollars converted at a fixed exchange rate, with a total of approximately USD439 million (after tax) at an annual dividend rate of 6.75% (after tax). The Bank will distribute dividends on Domestic Preference Shares (First Tranche) on 21 November 2016 with a total of RMB1.920 billion (before tax) at an annual dividend rate of 6.00% (before tax).

Corporate Governance

For details of the corporate governance of the Bank, please refer to the section "Corporate Governance".

Purchase and Sale of Material Assets, and Merger and Acquisition

BOCHK (as seller) entered into a sale and purchase agreement with Cinda Financial Holdings Co., Limited (as buyer) and China Cinda (HK) Holdings Company Limited (as buyer's guarantor) in relation to the disposal of all the issued shares of Nanyang Commercial Bank, Limited on 18 December 2015. The completion of the disposal took place on 30 May 2016 in accordance with the terms and conditions of the sale and purchase agreement. Upon completion, Nanyang Commercial Bank, Limited ceased to be a subsidiary of both the Bank and BOCHK (Holdings).

As part of the Group's strategic restructuring plan in the ASEAN region, on 30 June 2016, the Bank (as seller) and BOCHK (as buyer) entered into sale and purchase agreements in relation to the sale and purchase of the entire issued share capital of Bank of China (Malaysia) Berhad, and the entire issued share capital of Bank of China (Thai) Public Company Limited, respectively. The completion of each transfer is subject to the satisfaction

or waiver of the respective conditions precedent including the obtaining of the requisite approvals from domestic and overseas regulatory authorities.

For details, please refer to the Bank's announcements published on the websites of SSE, HKEx and the Bank.

Material Litigation, Arbitration and Issues of Media Interest

The Bank was involved in certain litigation and arbitration cases in its regular course of business. In addition, because of the scope and scale of the Bank's international operations, the Bank is from time to time subject to a variety of claims made by plaintiffs under the laws of various jurisdictions in which the Bank operates, including allegations such as anti-money laundering. After consulting legal professionals, the senior management holds that none of the litigation and arbitration cases will have a significant impact on the financial position or operating results of the Bank at the current stage.

During the reporting period, there was no material issue attracting negative media interest.

Significant Connected Transactions

The Bank had no significant connected transactions during the reporting period. For details of the related party transactions as defined by the relevant accounting standards by the end of the reporting period, please refer to Note III.29 of the Condensed Consolidated Interim Financial Information.

Major Contracts and Enforcement thereof

Material Custody, Sub-contracts and Leases

During the reporting period, the Bank did not take any significant custody of, sub-contract or lease any material business assets from other companies, or allow its material business assets to be subject to such arrangements that are required to be disclosed.

Material Guarantee Business

As approved by PBOC and CBRC, the Bank's guarantee business is an off-balance-sheet item in the ordinary course of its business. The Bank operates the guarantee business in a prudent manner and has formulated specific management measures, operational processes and approval procedures in accordance with the risks

of guarantee business and carried out this business accordingly. During the reporting period, save as disclosed above, the Bank did not enter into any material guarantee business that is required to be disclosed.

Other Major Contracts

During the reporting period, the Bank had no other major contract that is required to be disclosed.

Undertakings

During the reporting period, to the best of the Bank's knowledge, there was no breach of material undertakings by the Bank or its shareholders holding 5% or more voting shares of the Bank.

Disciplinary Action Imposed on the Bank, its Directors, Supervisors, Senior Management Members and Shareholders Holding 5% or More Voting Shares of the Bank

During the reporting period, neither the Bank nor any of its directors, supervisors, senior management members or shareholders holding 5% or more voting shares of the Bank were subject to investigation, administrative punishment or censure by CSRC or were publicly reprimanded by any stock exchange. No other regulatory administration has imposed any penalty on the Bank that had a material impact on the Bank's operation.

Alert of and Explanations for Predicted Loss in Net Profit for the Period from the Beginning of the Year to the End of the Next Reporting Period or Substantial Change Compared with the Same Period of the Prior Year

Not applicable.

Misappropriation of Funds for Non-operating Purposes by Controlling Shareholder and Other Related Parties

During the reporting period, there was no misappropriation of the Bank's funds by its controlling shareholder or other related parties for non-operating purposes.

Use of Raised Funds

All proceeds raised from initial public offerings, issuance of subordinated bonds, the rights issue, issuances of tier-2 capital bonds and preference shares have been fully used to replenish the Bank's capital and increase the level of its capital adequacy.

For details, please refer to the related announcements on the websites of SSE, HKEx and the Bank and the Notes to the Condensed Consolidated Interim Financial Information.

Purchase, Sale or Redemption of the Bank's Listed Securities

As at 30 June 2016, the total number of the Bank's treasury shares was approximately 9.72 million.

Implementation of Stock Incentive Plan during the Reporting Period

The Bank approved a long-term incentive policy, including the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan, at the Board meeting and the Extraordinary Shareholders' Meeting held in November 2005. To date, the Management Stock Appreciation Rights Plan and the Employee Stock Ownership Plan have not been implemented.

Significant Events

Shares in Other Listed Companies and Financial Enterprises Held by the Group

Investment Securities

The investment securities held by the Bank and its subsidiaries during the regular course of business are as follows:

No.	Type of securities	Securities code	Company/securities name	Initial investment cost (unit: RMB)	Securities held at period beginning	Securities held at period end	Carrying value at period end (unit: RMB)	Proportion of the total investment securities at period end	Gains/(losses) during the reporting period (unit: RMB)
1	Stock	002415	HIKVISION	854,617,169	24,972,639	37,935,900	812,150,790	6.52%	495,088
2	Stock	000333	Midea Group	719,604,514	31,928,345	32,979,704	780,401,328	6.27%	4,282,231
3	Stock	000651	GREE	749,299,769	34,836,186	34,007,764	652,060,696	5.24%	2,617,823
4	Fund	511990	Fortune SG Fund Management Co., Ltd.	481,970,809	4,839,922	4,897,733	487,626,465	3.91%	5,655,656
5	Fund	-	GS Global High Yield Portfolio	331,583,002	2,962,085	2,962,085	324,118,455	2.60%	16,893,313
6	Fund	-	NB-High Yield Bond Fund (USD) I Acc	297,176,367	3,397,402	2,174,908	296,974,742	2.38%	21,077,111
7	Stock	000538	YUNNAN BAIYAO	300,423,499	3,274,879	4,487,068	287,835,449	2.31%	3,593,200
8	Fund	511880	XD Yinhua Rili	279,028,497	2,798,763	2,798,763	282,456,092	2.27%	12,698,820
9	Fund	-	JPMorgan Funds-Emerging Mark	265,266,401	364,564	364,564	279,482,282	2.24%	23,589,750
10	Stock	002346	ZHEZHONG	227,214,233	-	12,574,378	233,196,734	1.87%	273,045
Other investment securities held at period end				8,021,630,901	-	-	8,019,076,153	64.39%	1,114,912,124
Gains/(losses) of investment securities sold during the reporting period				-	-	-	-	-	(923,830,638)
Total				12,527,815,161	-	-	12,455,379,186	100.00%	282,257,523

Notes:

- 1 The table lists the top ten investment securities held by the Group in descending order according to their carrying value at period end.
- 2 Investment securities listed in this table include stocks, warrants, convertible bonds and open-ended and close-ended funds, which are classified under financial assets at fair value through profit or loss.
- 3 "Other investment securities held at period end" refers to investment securities other than the top ten investment securities listed above held by the Group by the end of the reporting period.
- 4 The units of measures are "share" for stocks and "unit" for funds.

Stocks of Other Listed Companies Held by the Group

Stock code	Stock name	Initial investment cost (unit: RMB)	Stocks held at period beginning (unit: share)	Proportion of total capital of the invested company at period beginning	Stocks held at period end (unit: share)	Proportion of total capital of the invested company at period end	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase/(decrease) of equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
549 HK	QIFENG FIBER	59,084,942	94,841,726	10.95%	94,841,726	10.95%	45,961,714	-	(8,754,612)	Available for sale equity investment	Joint-stock reform
2008 HK	PHOENIX TV	333,120,637	412,000,000	8.30%	412,000,000	8.30%	609,195,972	-	(31,692,276)	Available for sale equity investment	Joint-stock reform
Total		392,205,579	-	-	-	-	655,157,686	-	(40,446,888)		

Notes:

- 1 The table lists stocks of listed companies in which the Group had a shareholding of 5% or above, which are classified as long-term equity investments or available for sale equity investments.
- 2 "Gains during the reporting period" refers to dividend income.

Equity Investments in Unlisted Financial Companies Held by the Group

Company name	Initial investment cost (unit: RMB)	Proportion of total capital of the invested company at period beginning	Proportion of total capital of the invested company at period end	Carrying value at period end (unit: RMB)	Gains during the reporting period (unit: RMB)	Increase of equity during the reporting period (unit: RMB)	Accounting classification	Source of shares
China Bond Insurance Co., Ltd.	1,000,068,231	17%	17%	1,011,958,032	50,312,257	-	Available for sale equity investment	Investment
JCC Financial Company Limited	102,489,539	13%	13%	344,957,276	15,774,095	-	Investment in associates and joint ventures	Investment
Hunan Valin Iron & Steel Group Finance Co., Ltd.	139,055,954	10%	10%	196,143,628	6,587,596	-	Investment in associates and joint ventures	Investment
Total	1,241,613,724	-	-	1,553,058,936	72,673,948	-		

Notes:

- 1 Financial companies include securities firms, commercial banks, insurance companies, futures companies, trust companies, among others.
- 2 The table presents equity investments in unlisted financial companies in which the Group held a proportion of 5% or more of the total shares.
- 3 Carrying value at period end is value after the reduction of impairment allowance.
- 4 "Gains during the reporting period" refers to dividend income, investment income of associates and joint ventures.

The Audit Committee

The Audit Committee of the Bank comprises six members, including Non-executive Directors Mr. WANG Yong and Mr. LI Jucai, Independent Directors Mr. Jackson TAI, Mr. Nout WELLINK, Mr. LU Zhengfei and Mr. LEUNG Cheuk Yan. Independent Director Mr. LU Zhengfei serves as the Chairman of the committee. Following the principle of independence, the committee assists the Board in supervising the financial reports, internal control, internal audit and external audit of the Group.

The Audit Committee has reviewed the interim results of the Bank. The external auditor of the Bank has reviewed the interim report in accordance with International Standards on Review Engagements No. 2410. The committee has considered the financial statements in light of accounting standards, accounting policies and practices, internal control and financial reporting.

Appointment of External Auditors

The Bank engaged Ernst & Young Hua Ming LLP as the Bank's domestic auditor and internal control auditor for 2016 to provide audit services on its financial statements and internal control pursuant to CAS and engaged Ernst & Young as its international auditor for 2016 to provide audit services on financial statements pursuant to IFRS.

Directors and Supervisors' Rights to Acquire Shares

During the reporting period, none of the Bank, its holding companies, or any of its subsidiaries or fellow subsidiaries was party to any arrangements that would enable the Bank's directors and supervisors, or their respective spouses or children below the age of 18, to benefit by acquiring shares in, or debentures of, the Bank or any other body corporate.

Directors and Supervisors' Interests in Shares, Underlying Shares and Debentures

To the best knowledge of the Bank, as at 30 June 2016, none of the directors or supervisors of the Bank or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank pursuant to Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (the "*Model Code*") as set out in Appendix 10 to the Hong Kong Listing Rules.

Securities Transactions by Directors and Supervisors

Pursuant to domestic and overseas securities regulatory requirements, the Bank formulated and implemented the *Management Measures on Securities Transactions by Directors, Supervisors and Senior Management Personnel of Bank of China Limited* (the "*Management Rules*") to govern securities transactions by the directors, supervisors and senior management members of the Bank. The terms of the *Management Rules* are more stringent than the mandatory standards set

out in the *Model Code*. The Bank has made specific enquiries with all directors and supervisors, all of whom confirmed that they have complied with the standards set out in both the *Management Rules* and the *Model Code* throughout the reporting period.

Compliance with International Accounting Standard No. 34

The 2016 interim report of the Bank is in compliance with International Accounting Standard No.34 — Interim Financial Reporting.

Interim Report

You may write to the Bank's H-Share Registrar, Computershare Hong Kong Investor Services Limited (Address: 17M, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong) to request the interim report prepared under IFRS or go to the Bank's office address for copies prepared under CAS. The Chinese and/or English versions of this interim report are also available at the following websites: www.boc.cn, www.sse.com.cn and www.hkexnews.hk.

Should you have any queries about how to obtain copies of this interim report or access the document on the Bank's website, please dial the Bank's H-Share Registrar at (852) 2862 8688 or the Bank's hotline at (86)10-6659 2638.