

Private report to the Directors Bank of China (UK) Limited only

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF BANK OF CHINA (UK) LIMITED

Opinion

We have audited the country-by-country schedule ('the Schedule') of Bank of China (UK) Limited ('the Company') for the year ended 31 December 2017.

In our opinion the accompanying country-by-country information in the attached Schedule, of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the requirements of The Capital Requirements (Country-by-Country Reporting) Regulations 2013 ('the Regulations').

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Company in accordance with the ethical requirements of the International Ethics Standards Board for Accountants that are relevant to our audit of the Schedule, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 1 to the Schedule, which describes the basis of accounting. The Schedule is prepared to assist the Company in meeting the requirements of the Regulations. As a result the Schedule may not be suitable for another purpose. Our report is intended solely for the benefit of the directors of the Company, in accordance with our engagement letter dated 25th May 2016 and should not be distributed to or used by parties other than the directors of the Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Schedule

Management is responsible for the preparation of the Schedule in accordance with the Regulations, for the appropriateness of the basis of preparation and the interpretation of the Regulations as they affect the preparation of the Schedule, and for such internal control as management determines is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the Schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of this Schedule.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY
29 June 2018

Schedule

Bank of China (UK) Limited

Company Registration Number 6193060

Country by Country Reporting at 31 December 2017 (Audited)

Disclosure in accordance with the Capital Requirements Directive as enacted in the UK by the Financial Services and Markets Act 2000

31 December 2017		<u>£ Turnover</u>	<u>Average Employees</u>	<u>Profit (Loss) Before Tax</u>	<u>Tax on Profit (Loss)</u>	<u>Public Subsidies Received</u>
United Kingdom:						
Bank of China (UK) Limited	Banking	94,482,901	439	44,595,770	(12,531,642)	-
China Bridge Group (UK) Limited	Travel visa services	10,176,153	36	7,291,940*	(343,783)	-
		<u>104,659,054</u>	<u>475</u>	<u>51,887,710</u>	<u>(12,875,425)</u>	<u>0</u>
Italy:						
China Bridge Group (Italy) S.R.L.	Travel visa services	5,918,469	19	1,332,181	(448,771)	-
Total		<u>110,577,523</u>	<u>494</u>	<u>53,219,891</u>	<u>(13,324,196)</u>	<u>-</u>

*China Bridge Group (UK) Limited profit (loss) before tax includes a dividend received from China Bridge Group (Italy) S.R.L. amounting to £5,617,042 which is outside the scope of UK Corporation Tax.

Note 1: Prepared on the same basis as described in the accounting policies in the Bank of China (UK) Limited Annual Report and Financial Statements on page 29, note 2(a).

31 December 2016				Profit (Loss)	Tax on	Public Subsidies
	<u>Business</u>	<u>£ Turnover</u>	<u>Average Employee s</u>	<u>Before Tax</u>	<u>Profit (Loss)</u>	<u>Received</u>
United Kingdom:						
Bank of China (UK) Limited	Banking	91,182,198	410	49,857,109	(14,167,508)	-
China Bridge Group (UK) Limited	Travel visa services	12,693,972	38	2,450,526	(502,388)	-
		<u>103,876,170</u>	<u>448</u>	<u>52,307,635</u>	<u>(14,669,896)</u>	<u>-</u>
Italy:						
China Bridge Group (Italy) S.R.L.	Travel visa services	5,135,250	17	1,072,771	(355,341)	-
Total		<u>109,011,420</u>	<u>465</u>	<u>53,380,406</u>	<u>(15,025,237)</u>	<u>-</u>