

BANK OF COMMUNICATIONS (HONG KONG) LIMITED, A LICENSED BANK
(incorporated in Hong Kong with limited liability)

REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2016

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

Contents	Page(s)
Report of the Directors	1 - 2
Independent auditor's report	3 - 5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 21
Unaudited supplementary financial information	22 - 45

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

REPORT OF THE DIRECTORS

The directors submit their report with the audited financial statements for the year ended 31 December 2016.

Principal activities

On 29 September 2015, the Monetary Authority granted the Company a licensed bank licence under the Banking Ordinance.

The Company has not yet commenced business.

Results and appropriations

The results of the Company for the year are set out in the statement of comprehensive income on page 6.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016

Directors of the Company

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

Chairman:
Shou Fugang (Appointed on 1 April 2017)

Executive directors:
Chan Ha Fong, Nancy
Meng Yu (Appointed on 1 April 2017)
Cheng Man Wang (Appointed on 1 April 2017)

Non-executive director:
Liu Yang (Appointed on 1 April 2017)

Independent non-executive directors:
Chan Ka Lok (Appointed on 1 April 2017)
Tang Kwai Chang (Appointed on 1 April 2017)
Lam Cheung Alexa (Appointed on 1 April 2017)

In accordance with the Company's Articles of Association, the existing directors shall remain in the office.

Directors' 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 subsidiaries, fellow subsidiaries or its holding 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 year or at any time during the year.

Directors' interests in the shares and debentures of the Company

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors of the Company to hold any interests in the shares or debentures of, the Company or its specified undertakings.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

REPORT OF THE DIRECTORS (CONTINUED)

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 year.

Permitted indemnity provisions

Pursuant to the Company's Articles of Association, a director or former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person other than the Company or an associated company of the Company in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or associated company. The Company has arranged appropriate directors' and officers' liability insurance for the directors and officers of the Company during the financial year and up to the date of the Report of the Directors.

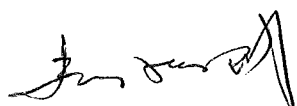
Business Review

No business review is presented for the year ended 31 December 2016 as the Company has been able to claim an exemption under section 388(3) of the Companies Ordinance (Cap. 622) since it is a wholly owned subsidiary of Bank of Communications Co. Ltd.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who will retire and are eligible, offer themselves for re-appointment.

On behalf of the Board



Shou Fugang, Chairman
Hong Kong, 26 April 2017

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BANK OF COMMUNICATIONS (HONG KONG) LIMITED**
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of Bank of Communications (Hong Kong) Limited (the "Company") set out on pages 6 to 21, which comprise

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report and unaudited supplementary financial information, but does not include the financial statements and our auditor's report thereon.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(CONTINUED)**

(incorporated in Hong Kong with limited liability)

Other Information (Continued)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 these financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(CONTINUED)**

(incorporated in Hong Kong with limited liability)

Auditor's Responsibility (Continued)

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

- Identify and assess the risks of material misstatement of the financial statements, 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 financial statements 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 overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 April 2017

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

		For the year ended 31 December 2016 HK\$	For the period from 29 July 2014 (date of incorporation) to 31 December 2015 HK\$
	Notes		
Interest income	5	45,212	14,466
Administrative expenses	6	(1,253,017)	(526,695)
Loss before tax		(1,207,805)	(512,229)
Income tax expense	7	-	-
Total comprehensive loss for the year		(1,207,805)	(512,229)

The notes on pages 10 to 21 are an integral part of these financial statements.

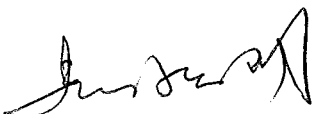
BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

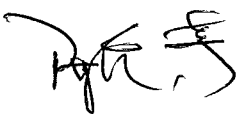
	Notes	2016 HK\$	2015 HK\$
Non-current assets			
Other receivables		500,000	-
Intangible assets	9	1,875,000	-
		<u>2,375,000</u>	<u>-</u>
Current assets			
Prepayment		355,755	-
Bank balances	10	300,059,678	300,014,466
		<u>300,415,433</u>	<u>300,014,466</u>
Current liabilities			
Amount due to ultimate holding company	11	4,402,367	476,695
Other payables		108,100	50,000
		<u>4,510,467</u>	<u>526,695</u>
Net current assets		<u>295,904,966</u>	<u>299,487,771</u>
Total assets less current liabilities		<u>298,279,966</u>	<u>299,487,771</u>
Capital and reserves			
Share capital	12	300,000,000	300,000,000
Accumulated losses		(1,720,034)	(512,229)
Total equity		<u>298,279,966</u>	<u>299,487,771</u>

The notes on pages 10 to 21 are an integral part of these financial statements.

The financial statements on pages 6 to 21 were approved by the Board of Directors on 26 April 2017 and were signed on its behalf by:



Shou Fugang, Chairman



Chan Ha Fong, Nancy, Chief Executive

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital HK\$	Accumulated losses HK\$	Total equity HK\$
Balance at 29 July 2014 (date of incorporation)	-	-	-
Issuance of share capital	300,000,000	-	300,000,000
Total comprehensive loss for the period	-	(512,229)	(512,229)
Balance at 31 December 2015	<u>300,000,000</u>	<u>(512,229)</u>	<u>299,487,771</u>
Balance at 1 January 2016	300,000,000	(512,229)	299,487,771
Total comprehensive loss for the year	-	(1,207,805)	(1,207,805)
Balance at 31 December 2016	<u>300,000,000</u>	<u>(1,720,034)</u>	<u>298,279,966</u>

The notes on pages 10 to 21 are an integral part of these financial statements.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	For the year ended 31 December 2016 HK\$	For the period from 29 July 2014 (date of incorporation) to 31 December 2015 HK\$
Cash flows from operating activities		
Loss before tax	(1,207,805)	(512,229)
Adjustments for:		
Interest income	(45,212)	(14,466)
Interest received	45,212	14,466
	<hr/>	<hr/>
Operating cash flows before movements in working capital	(1,207,805)	(512,229)
Increase in amount due to ultimate holding company	3,925,672	476,695
Increase in other payables	58,100	50,000
Increase in intangible assets	(1,875,000)	-
Increase in other receivables	(500,000)	-
Increase in prepayment	(355,755)	-
	<hr/>	<hr/>
Net cash generated from operating activities	45,212	14,466
	<hr/>	<hr/>
Financing activities		
Issuance of share capital	-	300,000,000
	<hr/>	<hr/>
Net cash generated from financing activities	-	300,000,000
	<hr/>	<hr/>
Net increase in cash and cash equivalents	45,212	300,014,466
Cash and cash equivalents at beginning of year	300,014,466	-
	<hr/>	<hr/>
Cash and cash equivalents at end of year	300,059,678	300,014,466
	<hr/>	<hr/>

The notes on pages 10 to 21 are an integral part of these financial statements.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Bank of Communications (Hong Kong) Limited ("the Company") is a private company incorporated and domiciled in Hong Kong. The address of its registered office is 20 Pedder Street, Central, Hong Kong and principal place of business is 1/F, Wheelock House, 20 Pedder Street, Central, Hong Kong. Its ultimate holding company is Bank of Communications Co., Ltd., which is incorporated in the People's Republic of China.

On 29 September 2015, the Monetary Authority granted the Company a licensed bank licence under the Banking Ordinance.

The Company has not yet commenced business.

These financial statements are presented in Hong Kong Dollars (HK\$), unless otherwise stated.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies ordinance Cap. 622. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess HKFRS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Company is assessing the impact of HKFRS 15.

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the entity adopting HKFRS 15 'Revenue from contracts with customers' at the same time. The Company is currently assessing the impact of HKFRS 16.

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 Company.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.2 Revenue recognition

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in HK dollars ("HK\$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Intangible assets

Intangible assets are stated in the statement of financial position at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses.

Amortization of an intangible asset with finite useful life is charged to profit or loss on a straight-line basis over its estimated useful life.

Intangible assets are not amortized while their useful lives are assessed to be indefinite. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible asset with finite lives as set out above.

2.5 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise "Bank balances" and "Other receivables" in the statement of financial position.

2.6.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

2.7 Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.7 Impairment of financial assets (Continued)

Assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2.8 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.10 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3. Financial risk management

Risk management is integral to the business of the Company. The Company's activities expose it to a wide range of financial risks. The Company has in place controls to manage these risks to an acceptable level without stifling its business. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise its potential adverse effects on the Company's financial performance.

3.1 Financial risk factors

Category of financial instruments

	2016 HK\$	2015 HK\$
Financial assets		
Cash and cash equivalents	300,059,678	300,014,466
Other receivables	500,000	-
	<u>300,559,678</u>	<u>300,014,466</u>
Financial liabilities		
Amount due to ultimate holding company	4,402,367	476,695
Other payables	108,100	50,000
	<u>4,510,467</u>	<u>526,695</u>

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet commitments it has entered into with the Company. The maximum credit risk exposure of the Company representing the carrying value of the financial assets at the end of the reporting period. The Company's credit risk exposures arise from cash and cash equivalents, and other receivables.

The directors considers there is no significant credit risk as all counter-parties are group companies on the basis of their financial condition at the end of the reporting period. In the opinion of the directors, the probability of failure to discharge their obligation by group companies is remote.

Exposure to credit risk by class

The following tables disclose the carrying values of financial assets recorded in the financial statements and represent the Company's maximum exposure to credit risk without taking into account any other credit enhancements:

Financial assets	2016 HK\$	2015 HK\$
Bank balances	300,059,678	300,014,466
Other receivables	500,000	-
	<u>300,559,678</u>	<u>300,014,466</u>

The following table shows the carrying values of financial assets grouped by credit ratings. The categories shown reflect our internally determined public rating agency equivalents.

Credit rating	2016 HK\$	2015 HK\$
A-	300,059,678	300,014,466
No Rating	500,000	-
	<u>300,559,678</u>	<u>300,014,466</u>

The Company had no financial assets that were either past due or impaired as at 31 December 2016 (2015: Nil).

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

3. Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest income and interest expense are exposed to changes in market interest rates.

The Company's interest rate risk is mainly related to short-term time deposits. Interest income is fixed at inception, and thus the interest rate risk is minimal.

The Company did not have any other financial instruments which expose the Company to significant interest rate risk.

(c) Foreign exchange risk

The majority of the Company's financial assets are denominated in Hong Kong Dollars and therefore it is not exposed to significant foreign exchange risk.

(d) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend. The Company maintains a balance between continuity of funding and flexibility through maintaining sufficient cash. The maturity of the Company's financial liabilities as at the end of the reporting period, based on the contractual terms, was less than one year.

3.2 Capital management

The primary objective of the Company's capital management is to safeguard the Company's ability to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of equity attributable to owners of the Company, comprising issued share capital, reserve and retained earnings.

3.3 Fair value estimation

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask price respectively.

The fair values of other financial assets and liabilities are determined in accordance with generally accepted pricing models such as discounted cash flow analysis using observable and/or unobservable inputs.

The directors considers that the carrying amounts of financial assets and financial liabilities approximate their fair values.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Income taxes

Judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Interest income

	For the year ended 31 December 2016 HK\$	For the period from 29 July 2014 (date of incorporation) to 31 December 2015 HK\$
Interest income from bank balances placed with ultimate holding company	45,212	14,466

6. Administrative expenses

	For the year ended 31 December 2016 HK\$	For the period from 29 July 2014 (date of incorporation) to 31 December 2015 HK\$
Secretarial services	955,105	-
Auditor's remuneration	100,000	50,000
Other expenses	197,912	476,695
	<u>1,253,017</u>	<u>526,695</u>

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

7. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for both years. No provision has been made for Hong Kong profits tax as the Company has no estimated assessable profit for the year.

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	For the year ended 31 December 2016 HK\$	For the period from 29 July 2014 (date of incorporation) to 31 December 2015 HK\$
Loss before tax	(1,207,805)	(512,229)
Tax calculated at the Hong Kong Profits Tax rate of 16.5%	(199,288)	(84,518)
Tax effect of income not taxable for tax purpose	(7,460)	(2,387)
Tax effect of expenses not deductible for tax purpose	19,567	78,266
Tax loss for which no deferred income tax asset was recognised	187,181	8,639
Income tax expense	-	-

8. Director's emoluments

The emoluments of the Director of the Company disclosed pursuant to section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G).

No director received any fees or other emoluments in respect of their services rendered to the Company during the year.

9. Intangible assets

The Company holds the rights to connect its Automated Teller Machine (ATM) to the central data processing system of Joint Electronic Teller Services Limited (JETCO).

	2016 HK\$	2015 HK\$
At 31 December 2016		
Cost	1,875,000	-
Accumulated amortization and impairment	-	-
Net book amount	1,875,000	-

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

9. Intangible assets (Continued)

	2016 HK\$	2015 HK\$
Year ended 31 December 2016		
Opening net book amount	-	-
Additions	1,875,000	-
Closing net book amount	<u>1,875,000</u>	<u>-</u>

The above intangible assets are considered by the directors as having an indefinite useful life because the rights to use JETCO's central data processing system are expected to contribute to net cash inflow indefinitely. The intangible assets will not be amortised until their useful lives are determined to be finite. Instead, the intangible assets will be tested for impairment annually.

For the purpose of impairment testing on the intangible assets held by the Company, the recoverable amount have been determined based on the fair value less costs of disposal. For the year ended 31 December 2016, no impairment loss for intangible asset was recognised.

10. Bank Balances

Bank balances represent savings and current accounts placed with Bank of Communications Co., Ltd. Hong Kong Branch, a branch of its ultimate holding company.

The effective interest rate for the year ended 31 December 2016 was less than or equal to 0.02% p.a (2015: 0.01% p.a).

11. Amount due to ultimate holding company

The amount due to the ultimate holding company represents expense paid on behalf of the Company.

12. Share capital

	2016 HK\$	2015 HK\$
Issued and fully paid: 300,000,000 ordinary shares	<u>300,000,000</u>	<u>300,000,000</u>

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

NOTES TO THE FINANCIAL STATEMENTS

13. Related party transactions

The Company is controlled by Bank of Communications Co., Ltd., a state-owned enterprise incorporated in the PRC, which owns 100% of the Company's shares. Bank of Communications Co., Ltd is also the ultimate parent and controlling party of the Company.

	For the year ended 31 December 2016 HK\$	For the period from 29 July 2014 (date of incorporation) to 31 December 2015 HK\$
Interest income from bank balances placed with ultimate holding company	45,212	14,466
Secretarial service fee to a fellow subsidiary	(955,105)	-
	<u> </u>	<u> </u>

BANK OF COMMUNICATIONS (HONG KONG) LIMITED, A LICENSED BANK
(incorporated in Hong Kong with limited liability,
Formerly known as “BOCOM Hong Kong Limited”)

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2016

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

The Following information is disclosed as part of accompanying information to the financial statements to comply with the Banking (Disclosure) Rules and does not form part of the audited financial statements.

1 Corporate Governance

The Board of Directors ("The Board") and the management of Bank of Communications (Hong Kong) Limited ("the Company"), a licensed bank, recognizes the importance of robust corporate governance to ensure an environment of effective oversight and strong accountability.

The Company has been arranging Merger Bill reading and has not yet commenced its banking business. The Company is now in the course of setting up the infrastructure and therefore the details of Corporate Governance have not been presented at this transitional period.

2 Remuneration system

The Company has been arranging Merger Bill reading and has not yet commenced its banking business. The Company is now in the course of setting up the infrastructure. As such, the details of Remuneration system have not been presented at this transitional period.

3 Risk management

The Company has been arranging Merger Bill reading and has not yet commenced its banking business. The Company is now in the course of setting up the infrastructure. As such, the details of risk management have not been presented.

4 Internal Audit

Internal Audit is an integral part of the Company's risk management infrastructure, which provides independent assessment and opinions on the Company's control structure, and assists the Company's Audit Committee in fulfilling its oversight responsibilities.

The Company has been arranging Merger Bill reading and has not yet commenced its banking business. The Company is now in the course of setting up the infrastructure. As such, the details of Internal Audit Management have not been presented at this transitional period.

5 Capital adequacy ratio

The capital ratios below are computed in accordance with the Banking (Capital) Rules of the Banking Ordinance.

	31 December 2016	31 December 2015
Common Equity Tier 1 ("CET1") capital ratio	487%	499%
Tier 1 capital ratio	487%	499%
Total capital ratio	487%	499%

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

5 Capital adequacy ratio (continued)

Components of capital base

Total capital after deductions used in the calculation of capital adequacy ratio are as follows:

	31 December 2016 HK\$	31 December 2015 HK\$
CET1 capital instruments		
Paid up ordinary share capital	300,000,000	300,000,000
Accumulated losses	(1,720,034)	(512,229)
CET1 capital before deductions	298,279,966	299,487,771
Deductions	(1,875,000)	-
CET1 after capital deductions	296,404,966	299,487,771
Additional Tier 1 capital	-	-
Tier 2 capital	-	-
Total capital	296,404,966	299,487,771

6 Capital charge for credit, market and operational risk

6.1 Capital charge for credit risk

Subject to Section 5 of Banking (Capital) Rules, the Company by default uses the Standardized (Credit Risk) Approach ("STC approach") to calculate its credit risk.

The capital requirements on each class of exposures under the STC approach are as follows:

	31 December 2016	
	Risk weighted amounts HK\$	Capital Charge HK\$
On-balance sheet		
Bank exposures	60,011,936	4,800,955
Other exposures	855,755	68,460
Total on-balance sheet exposures	60,867,691	4,869,415
	31 December 2015	
	Risk weighted amounts HK\$	Capital Charge HK\$
On-balance sheet		
Bank exposures	60,002,893	4,800,231

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

6 Capital charge for credit, market and operational risk (continued)

6.1 Capital charge for credit risk (continued)

There were no off-balance sheet exposures in the Company as at 31 December 2016 and 31 December 2015.

The capital requirement is determined by multiplying the Company's risk-weighted amount derived from the relevant calculation approach by 8%, not the Company's actual regulatory capital.

6.2 Capital charge for market risk

Subject to Section 17 of Banking (Capital) Rules, the Company by default uses the Standardized (Market Risk) Approach ("STM approach") to calculate its market risk. There were no positions covered by the approach and no capital charge for market risk as at 31 December 2016 and 31 December 2015.

6.3 Capital charge for operational risk

Subject to Section 24 of Banking (Capital) Rules, the Company by default uses the Basic Indicator Approach ("BIA approach") to calculate its operational risk.

	31 December 2016 HK\$	31 December 2015 HK\$
Capital charge for operational risk	<u>2,984</u>	<u>2,170</u>

6.4 Securitization exposures

The Company did not have any securitization exposure as at 31 December 2016 and 31 December 2015.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

6 Capital charge for credit, market and operational risk (continued)

6.5 Credit risk exposures

Standard & Poor's Rating Services and Moody's Investors Service are the external credit assessment institutions (the "ECAIs") that the Company has used to determine the credit risk exposures below. The Company follows the process as prescribed in Part 4 of the Banking (Capital) Rules to map ratings to exposures booked in its banking book.

31 December 2016				
		Exposures after recognised credit risk mitigation	Risk-Weighted Amounts	
	Total exposures	Rated (Note (a))	Rated (Note (a))	Total risk- weighted amount
	HK\$	HK\$	HK\$	HK\$
On-balance sheet				
- Bank exposures	300,059,678	300,059,678	60,011,936	60,011,936
- Other exposures	<u>855,755</u>	<u>855,755</u>	<u>855,755</u>	<u>855,755</u>
Total on-balance sheet exposures	<u>300,915,433</u>	<u>300,915,433</u>	<u>60,867,691</u>	<u>60,867,691</u>

31 December 2015				
		Exposures after recognised credit risk mitigation	Risk-Weighted Amounts	
	Total exposures	Rated (Note (a))	Rated (Note (a))	Total risk- weighted Amount
	HK\$	HK\$	HK\$	HK\$
On-balance sheet				
- Bank exposures	<u>300,014,466</u>	<u>300,014,466</u>	<u>60,002,893</u>	<u>60,002,893</u>

- (a) The amount represents exposures which have an inferred rating (i.e. exposures which do not have an issue-specific rating but whose risk weights are determined under the Banking (Capital) Rules by reference to an ECAI issuer rating assigned to the obligor of the exposure or to an ECAI issue rating of any other exposures of the obligor). There were no unrated exposures as at 31 December 2016 and 31 December 2015.

As at 31 December 2016 and 31 December 2015, there were no exposures which are covered by recognised collateral, recognised guarantees, or recognised credit derivative contracts. There were no on-balance sheet and off-balance sheet recognised netting in respect of credit risk mitigation.

There were no credit exposures which are risk-weighted at 1250% as at 31 December 2016 and 31 December 2015.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

7 Countercyclical capital buffer ratio

	31 December 2016	31 December 2015
Countercyclical capital buffer ratio	<u>0.625%</u>	<u>0%</u>

See Appendix 5 on pages 45 for the Countercyclical Capital Buffer ("CCyB") Ratio Standard Disclosure Template.

8 Regulatory capital disclosures

(a) Transition Disclosures Template:

See Appendix 1 on pages 29 to 40.

(b) Balance sheet reconciliation between the Company's balance sheet and the capital components of regulatory capital:

See Appendix 2 on page 41.

(c) Main Features of Capital Instruments:

See Appendix 3 on page 42.

9 Leverage Ratio Disclosure Templates – Summary Comparison Table and Leverage Ratio Common Disclosure Template

See Appendix 4 on pages 43 to 44.

10 Liquidity

The Company has not yet commenced its banking business and is negotiating with Supervisory Authority with the details of Liquidity Requirement. As such, the ratio has not been presented.

11 Interest rate exposures in banking book

The Company has not yet commenced its banking business. The financial assets and liabilities of the Company, which have interest rate risk exposures, are primarily driven by prevailing market rates.

As at 31 December 2016 and 31 December 2015, the Company only held interest bearing financial assets by way of cash and balances with financial institutions, which were not exposed to materials interest rate movements. As such, an interest rate sensitivity analysis has not been presented.

12 Currency risk

The Company does not have foreign currency exposure and therefore a currency risk analysis has not been presented.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

13 Segmental information

During the year ended 31 December 2016, the Company has not commenced business. All the profit and loss, assets and liabilities were managed and booked in Hong Kong for the year. There were no impairment losses, specific provision and collective provision for impaired assets for the year and there were no contingent liabilities and commitments as at 31 December 2016 and 31 December 2015.

14 International Claims

International claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account any risk transfer. The risk transfers have been made if the claims are guaranteed by a party in a geographical area which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another geographical area. Geographical area, constituting 10% or more of the Company's total international claims after taking into account any recognized risk transfer, is disclosed below.

	31 December 2016		31 December 2015	
	Banks	Total	Banks	Total
	HK\$	HK\$	HK\$	HK\$
Developing Asia and Pacific				
China	<u>300,059,678</u>	<u>300,059,678</u>	<u>300,014,466</u>	<u>300,014,466</u>

15 Loans and advances – sector information

There were no loans and advances to customers as at 31 December 2016 and 31 December 2015.

16 Overdue and rescheduled assets

There were no impaired, rescheduled or overdue assets as at 31 December 2016 and 31 December 2015.

17 Mainland activities

There were no non-bank mainland exposures as at 31 December 2016 and 31 December 2015.

18 Derivatives activities

There were no derivatives transactions as at 31 December 2016 and 31 December 2015.

19 Equity exposures

There were no equity exposures booked in the Company's banking book as at 31 December 2016 and 31 December 2015.

20 Comparative figures

Certain comparative figures have been re-presented to conform to current period presentation.

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template

The following table sets out the detailed composition of the Company's regulatory capital using the Transition Disclosures Template as specified by the HKMA. The table also shows those items that are currently benefiting from the Basel III transitional arrangements, and are consequently subject to the pre-Basel III treatment, as set out in Schedule 4H to the Banking (Capital) Rules.

As at 31 December 2016			Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		HK\$	HK\$	
CET1 capital: instruments and reserves				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	300,000,000		(1)
2	Retained earnings	(1,720,034)		(2)
3	Disclosed reserves	-		
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	Not applicable		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-		
6	CET1 capital before regulatory deductions	298,279,966		
CET1 capital: regulatory deductions				
7	Valuation adjustments	-		
8	Goodwill (net of associated deferred tax liability)	-		
9#	Other intangible assets (net of associated deferred tax liability)	1,875,000	-	(3)
10#	Deferred tax assets net of deferred tax liabilities	-		
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	-	
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	-	
18#	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
19#	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2016

		HK\$	Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
	CET1 capital: regulatory deductions			
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	-		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-		
26b	Regulatory reserve for general banking risks	-		
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-		
26e	Capital shortfall of regulated non-bank subsidiaries	-	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-		
28	Total regulatory deductions to CET1 capital	1,875,000		
29	CET1 capital	296,404,966		
	AT1 capital: instruments			
30	Qualifying AT1 capital instruments plus any related share premium	-		
31	of which: classified as equity under applicable accounting standards	-		
32	of which: classified as liabilities under applicable accounting standards	-		
33	Capital instruments subject to phase out arrangements from AT1 capital	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements	-		
36	AT1 capital before regulatory deductions	-		
	AT1 capital: regulatory deductions			
37	Investments in own AT1 capital instruments	-	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	-	
39#	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	-	
41	National specific regulatory adjustments applied to AT1 capital	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-		

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2016			Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		HK\$	HK\$	
AT1 capital: regulatory deductions				
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-		
43	Total regulatory deductions to AT1 capital	-		
44	AT1 capital	-		
45	Tier 1 capital (Tier 1 = CET1 + AT1)	296,404,966		
Tier 2 capital: instruments and provisions				
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	Capital instruments subject to phase out arrangements from Tier 2 capital	-		
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-		
49	of which: capital instruments issued by subsidiaries subject to phase out arrangements	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	-		
51	Tier 2 capital before regulatory deductions	-		
Tier 2 capital: regulatory deductions				
52	Investments in own Tier 2 capital instruments	-	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	-	
54#	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	-	

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2016			Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		HK\$	HK\$	
Tier 2 capital: regulatory deductions				
56	National specific regulatory adjustments applied to Tier 2 capital	-		
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-		
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	Total regulatory deductions to Tier 2 capital	-		
58	Tier 2 capital	-		
59	Total capital (Total capital = Tier 1 + Tier 2)	296,404,966		
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	-		
i	of which: Mortgage servicing rights	-		
ii	of which: Defined benefit pension fund net assets	-		
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-		
iv	of which: Capital investment in a connected company which is a commercial entity	-		
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2016			Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		HK\$	HK\$	
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
60	Total risk weighted assets	60,904,991		
Capital ratios (as a percentage of risk weighted assets)				
61	CET1 capital ratio	487%		
62	Tier 1 capital ratio	487%		
63	Total capital ratio	487%		
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	5.7500%		
65	of which: capital conservation buffer requirement 0%	0.6250%		
66	of which: bank specific countercyclical buffer requirement 0%	0.6250%		
67	of which: G-SIB or D-SIB buffer requirement 0%	-		
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	479%		
National minima (if different from Basel 3 minimum)				
69	National CET1 minimum ratio	Not applicable		
70	National Tier 1 minimum ratio	Not applicable		
71	National Total capital minimum ratio	Not applicable		
Amounts below the thresholds for deduction (before risk weighting)				
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
74	Mortgage servicing rights (net of related tax liability)	Not applicable		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable		
Applicable caps on the inclusion of provisions in Tier 2 capital				
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	-		
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	-		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	-		
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	-		
Capital instruments subject to phase-out arrangements				
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable		

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2016			Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		HK\$	HK\$	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable		
82	Current cap on AT1 capital instruments subject to phase out arrangements	-		
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-		
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	-		
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-		

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

Footnote:

Indicates elements where a more conservative definition has been applied in the BCR relative to that set out in the Basel III capital standards.

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2015			Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		HK\$	HK\$	
CET1 capital: instruments and reserves				
1	Directly issued qualifying CET1 capital instruments plus any related share premium	300,000,000		(1)
2	Retained earnings	(512,229)		(2)
3	Disclosed reserves	-		
4	Directly issued capital subject to phase out from CET1 capital (only applicable to non-joint stock companies)	Not applicable		
	Public sector capital injections grandfathered until 1 January 2018	Not applicable		
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-		
6	CET1 capital before regulatory deductions	299,487,771		
CET1 capital: regulatory deductions				
7	Valuation adjustments	-		
8	Goodwill (net of associated deferred tax liability)	-		
9#	Other intangible assets (net of associated deferred tax liability)	-	-	
10#	Deferred tax assets net of deferred tax liabilities	-		
11	Cash flow hedge reserve	-		
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	-	
13	Gain-on-sale arising from securitization transactions	-		
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	-	
18#	Insignificant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
19#	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
20	Mortgage servicing rights (amount above 10% threshold)	Not applicable		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	Not applicable		
22	Amount exceeding the 15% threshold	Not applicable		
23	of which: significant investments in the common stock of financial sector entities	Not applicable		
24	of which: mortgage servicing rights	Not applicable		

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2015			Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		HK\$	HK\$	
CET1 capital: regulatory deductions				
25	of which: deferred tax assets arising from temporary differences	Not applicable		
26	National specific regulatory adjustments applied to CET1 capital	-		
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-		
26b	Regulatory reserve for general banking risks	-		
26c	Securitization exposures specified in a notice given by the Monetary Authority	-		
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-		
26e	Capital shortfall of regulated non-bank subsidiaries	-	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-		
28	Total regulatory deductions to CET1 capital	-		
29	CET1 capital	299,487,771		
AT1 capital: instruments				
30	Qualifying AT1 capital instruments plus any related share premium	-		
31	of which: classified as equity under applicable accounting standards	-		
32	of which: classified as liabilities under applicable accounting standards	-		
33	Capital instruments subject to phase out arrangements from AT1 capital	-		
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-		
35	of which: AT1 capital instruments issued by subsidiaries subject to phase out arrangements	-		
36	AT1 capital before regulatory deductions	-		
AT1 capital: regulatory deductions				
37	Investments in own AT1 capital instruments	-	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	-	
39#	Insignificant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
40	Significant capital investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	-	
41	National specific regulatory adjustments applied to AT1 capital	-		
41a	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 1 capital	-		

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2015			Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		HK\$	HK\$	
AT1 capital: regulatory deductions				
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-		
43	Total regulatory deductions to AT1 capital	-		
44	AT1 capital	-		
45	Tier 1 capital (Tier 1 = CET1 + AT1)	299,487,771		
Tier 2 capital: instruments and provisions				
46	Qualifying Tier 2 capital instruments plus any related share premium	-		
47	Capital instruments subject to phase out arrangements from Tier 2 capital	-		
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-		
49	of which: capital instruments issued by subsidiaries subject to phase out arrangements	-		
50	Collective impairment allowances and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	-		
51	Tier 2 capital before regulatory deductions	-		
Tier 2 capital: regulatory deductions				
52	Investments in own Tier 2 capital instruments	-	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments	-	-	
54#	Insignificant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	
55	Significant capital investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	-	

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2015			Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		HK\$	HK\$	
Tier 2 capital: regulatory deductions				
56	National specific regulatory adjustments applied to Tier 2 capital	-		
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-		
56b	Portion of deductions applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from Tier 2 capital	-		
i	of which: Excess of total EL amount over total eligible provisions under the IRB approach	-		
ii	of which: Capital shortfall of regulated non-bank subsidiaries	-		
iii	of which: Investments in own CET1 capital instruments	-		
iv	of which: Reciprocal cross holdings in CET1 capital instruments issued by financial sector entities	-		
v	of which: Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-		
vi	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
vii	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
57	Total regulatory deductions to Tier 2 capital	-		
58	Tier 2 capital	-		
59	Total capital (Total capital = Tier 1 + Tier 2)	299,487,771		
59a	Deduction items under Basel III which during transitional period remain subject to risk-weighting, based on pre-Basel III treatment	-		
i	of which: Mortgage servicing rights	-		
ii	of which: Defined benefit pension fund net assets	-		
iii	of which: Investments in own CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments	-		
iv	of which: Capital investment in a connected company which is a commercial entity	-		
v	of which: Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2015

		HK\$	Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
vi	of which: Significant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
60	Total risk weighted assets	60,030,018		
	Capital ratios (as a percentage of risk weighted assets)			
61	CET1 capital ratio	499%		
62	Tier 1 capital ratio	499%		
63	Total capital ratio	499%		
64	Institution specific buffer requirement (minimum CET1 capital requirement as specified in s.3A, or s.3B, as the case requires, of the BCR plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB or D-SIB requirements)	4.5000%		
65	of which: capital conservation buffer requirement 0%	-		
66	of which: bank specific countercyclical buffer requirement 0%	-		
67	of which: G-SIB or D-SIB buffer requirement 0%	-		
68	CET1 capital surplus over the minimum CET1 requirement and any CET1 capital used to meet the Tier 1 and Total capital requirement under s.3A, or s.3B, as the case requires, of the BCR	491%		
	National minima (if different from Basel 3 minimum)			
69	National CET1 minimum ratio	Not applicable		
70	National Tier 1 minimum ratio	Not applicable		
71	National Total capital minimum ratio	Not applicable		
	Amounts below the thresholds for deduction (before risk weighting)			
72	Insignificant capital investments in CET1 capital instruments, AT1 capital instruments and Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
73	Significant capital investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-		
74	Mortgage servicing rights (net of related tax liability)	Not applicable		
75	Deferred tax assets arising from temporary differences (net of related tax liability)	Not applicable		
	Applicable caps on the inclusion of provisions in Tier 2 capital			
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the basic approach and the standardized (credit risk) approach (prior to application of cap)	-		
77	Cap on inclusion of provisions in Tier 2 under the basic approach and the standardized (credit risk) approach	-		
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach (prior to application of cap)	-		
79	Cap for inclusion of provisions in Tier 2 under the IRB approach	-		
	Capital instruments subject to phase-out arrangements			
80	Current cap on CET1 capital instruments subject to phase out arrangements	Not applicable		

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 1 Transition Disclosures Template (continued)

As at 31 December 2015			Amounts subject to pre-Basel III treatment*	Cross reference to balance sheet reconciliation
		HK\$	HK\$	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	Not applicable		
82	Current cap on AT1 capital instruments subject to phase out arrangements	-		
83	Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)	-		
84	Current cap on Tier 2 capital instruments subject to phase out arrangements	-		
85	Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)	-		

* This refers to the position under the Banking (Capital) Rules in force on 31 December 2012.

Footnote:

Indicates elements where a more conservative definition has been applied in the BCR relative to that set out in the Basel III capital standards.

Abbreviations:

CET1: Common Equity Tier 1

AT1: Additional Tier 1

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 2 Balance Sheet Reconciliation

The following table shows a reconciliation of amounts shown in the balance sheet of the Company to the capital components of regulatory capital:

As at 31 December 2016

	Balance Sheet as in Published Financial Statements	Under regulatory scope of consolidation	Cross reference to Transition Disclosure Template
	HK\$	HK\$	
Assets			
Intangible assets	1,875,000	1,875,000	(3)
Bank balances	300,059,678	300,059,678	
Other receivables	500,000	500,000	
Prepayment	355,755	355,755	
Total Assets	302,790,433	302,790,433	
Liabilities			
Amount due to ultimate holding company	4,402,367	4,402,367	
Other payables	108,100	108,100	
Total Liabilities	4,510,467	4,510,467	
Capital and reserves			
Share capital	300,000,000	300,000,000	(1)
Accumulated losses	(1,720,034)	(1,720,034)	(2)
Total equity	298,279,966	298,279,966	
Total Liabilities and Equity	302,790,433	302,790,433	

As at 31 December 2015

	Balance Sheet as in Published Financial Statements	Under regulatory scope of consolidation	Cross reference to Transition Disclosure Template
	HK\$	HK\$	
Assets			
Bank balances	300,014,466	300,014,466	
Total Assets	300,014,466	300,014,466	
Liabilities			
Amount due to ultimate holding company	476,695	476,695	
Other payables	50,000	50,000	
Total Liabilities	526,695	526,695	
Capital and reserves			
Share capital	300,000,000	300,000,000	(1)
Accumulated losses	(512,229)	(512,229)	(2)
Total equity	299,487,771	299,487,771	
Total Liabilities and Equity	300,014,466	300,014,466	

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 3 Main Features of Capital Instruments

The following table shows the main features of outstanding capital instruments as at 31 December 2016 and 31 December 2015:

1	Issuer	Bank of Communications (Hong Kong) Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	Not applicable
3	Governing law(s) of the instrument	Hong Kong Law
	Regulatory treatment	
4	Transitional Basel III rules#	Not applicable
5	Post-transitional Basel III rules+	Common Equity Tier 1
6	Eligible at solo*/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	HK\$300,000,000
9	Par value of instrument	Not applicable
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1 share issued on 29 July 2014 299,999,999 shares issued on 9 February 2015
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	No
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Not applicable
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	Not applicable
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	Not applicable
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	No
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Represents the most subordinated claim in liquidation
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable

Footnote:

Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

+ Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

* Include solo-consolidated

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 4 Leverage Ratio Disclosure Templates

Summary Comparison Table

	Item	Leverage ratio framework as at 31 December 2016 HK\$ equivalent	Leverage ratio framework as at 31 December 2015 HK\$ equivalent
1	Total consolidated assets as per published financial statements	302,790,433	300,014,466
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-	-
4	Adjustments for derivative financial instruments	-	-
5	Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-	-
7	Other adjustments	(1,875,000)	-
8	Leverage ratio exposure	300,915,433	300,014,466

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 4 Leverage Ratio Disclosure Templates (continued)

Leverage Ratio Common Disclosure Template

	Item	Leverage ratio framework as at 31 December 2016 HK\$ equivalent	Leverage ratio framework as at 31 December 2015 HK\$ equivalent
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	302,790,433	300,014,466
2	Less: Asset amounts deducted in determining Basel III Tier 1 capital (reported as negative amounts)	(1,875,000)	-
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)	300,915,433	300,014,466
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-	-
5	Add-on amounts for PFE associated with all derivatives transactions	-	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided in derivatives transactions (reported as negative amounts)	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures (reported as negative amounts)	-	-
9	Adjusted effective notional amount of written credit derivatives	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivatives (reported as negative amounts)	-	-
11	Total derivative exposures (sum of lines 4 to 10)	-	-
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets (reported as negative amounts)	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15)	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	-	-
18	Less: Adjustments for conversion to credit equivalent amounts (reported as negative amounts)	-	-
19	Off-balance sheet items (sum of lines 17 and 18)	-	-
Capital and total exposures			
20	Tier 1 capital	296,404,966	299,487,771
21	Total exposures (sum of lines 3, 11, 16 and 19)	300,915,433	300,014,466
Leverage ratio			
22	Basel III leverage ratio	98.50%	99.82%

BANK OF COMMUNICATIONS (HONG KONG) LIMITED
(incorporated in Hong Kong with limited liability)

**UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2016**

Appendix 5 Countercyclical Capital Buffer ("CCyB") Ratio Standard Disclosure Template

Geographical breakdown of risk-weighted amounts ("RWA") in relation to private sector credit exposures as at 31 December 2016:

	a	b	c	d	e
	Jurisdiction ("J")	Applicable JCCyB ratio in effect	Total RWA used in computation of CCyB ratio of AI (HK\$)	CCyB ratio of AI	CCyB amount of AI (HK\$)
1	Hong Kong	0.625%	855,755		
	Total		855,755	0.625%	5,348

There was no private sector credit exposure as at 31 December 2015.