

Bank of China Ltd., Vientiane Branch

Financial statements

For the period from 26 March 2015 (date of establishment) to 31
December 2015

Bank of China Ltd., Vientiane Branch

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Bank of China Ltd., Vientiane Branch

GENERAL INFORMATION

THE BRANCH

Bank Of China Ltd., Vientiane Branch (the "Branch"), a branch of Bank of China Ltd., was established in Lao People's Democratic Republic ("Lao PDR"). The Branch operates under Banking License No. 06/BOL granted by the Bank of Lao PDR (the "BOL") on 19 February 2015.

The initial registered capital of the Branch is LAK 405,100,000,000. The actual paid-up capital as at 31 December 2015 is LAK 405,100,000,000.

The principal activities of the Branch are to mobilize capital and provide loans for improving and strengthening the Lao economy.

The Branch is located at Building Vientiane Center, Khouvieng Road, Ban Nongchanh, Sisattanak District, Vientiane Capital, Lao P.D.R

MANAGEMENT

Members of the Management during the period from 26 March 2015 to 31 December 2015 and at the date of this report are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment</u>
Mr. Li Zhiyong	General Manager	Appointed on 26 March 2015

LEGAL REPRESENTATIVE

The legal representative of the Branch during the period from 26 March 2015 to 31 December 2015 and at the date of this report is Mr. Li Zhiyong, the General Manager.

AUDITORS

The auditors of the Branch are Ernst & Young Lao Limited.

Bank of China Ltd., Vientiane Branch

REPORT OF MANAGEMENT

Management of Bank of China Ltd., Vientiane Branch (the "Branch") is pleased to present its report and the Branch's financial statements as at and for the period from 26 March 2015 to 31 December 2015.

MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Branch's Management is responsible for preparation of the financial statements of each financial period which give a true and fair view of the state of affairs of the Branch and of its results and cash flows for the period. In preparing those financial statements, Management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▶ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Branch will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Branch and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Branch and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirms that it has complied with the above requirements in preparing the financial statements as at and for the period from 26 March 2015 to 31 December 2015.

STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Branch as at 31 December 2015 and the results of its operations and its cash flows for the period from 26 March 2015 to 31 December 2015 in accordance with the Accounting Law of Lao PDR and the regulations stipulated by the Bank of Lao PDR relevant to preparation and presentation of financial statements.

For and on behalf of Management:


Mr. Li Zhiyong
General Manager



Vientiane, Lao PDR

31 March 2016

Reference: 61245636/ 18353158

INDEPENDENT AUDITORS' REPORT

**To: The Owner of
Bank of China Ltd., Vientiane Branch**

We have audited the accompanying financial statements of Bank of China Ltd., Vientiane Branch, ("the Branch"), which comprise the balance sheet as at 31 December 2015, the income statement, statement of changes in equity and cash flow statement for the period from 26 March 2015 to 31 December 2015, and a summary of significant accounting policies and other explanatory information, as set out on pages 5 to 26.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Law of Lao PDR and the regulations stipulated by the Bank of Lao PDR relevant to preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Branch's preparation and fair presentation of the financial statements 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 Branch's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bank Of China Ltd., Vientiane Branch as at 31 December 2015, and its financial performance and its cash flows for the period from 26 March 2015 to 31 December 2015 in accordance with the Accounting Law of Lao PDR and the regulations stipulated by the Bank of Lao PDR relevant to preparation and presentation of financial statements.

Ernst & Young

Vientiane, Lao PDR

31 March 2016



Bank of China Ltd., Vientiane Branch

INCOME STATEMENT
for the period from 26 March 2015 to 31 December 2015

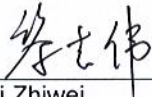
<i>Code</i>	<i>ITEMS</i>	<i>Notes</i>	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
A	OPERATING INCOME AND EXPENSES		
1	Interest and similar income	3	6,553
1.1	Interest and similar income from interbank transactions		17
1.2	Interest and similar income from customers		2,611
1.3	Other interest and similar income		3,925
2	Interest and similar expense	3	(1,505)
2.1	Interest and similar expense for interbank transactions		(1,378)
2.2	Interest and similar expense for customers		(127)
I.	NET INTEREST AND SIMILAR INCOME	3	5,048
3	Fee and commission income	4	180
4	Fee and commission expense		(57)
5	Net gain from dealing in foreign currencies	5	394
II.	NET OPERATING INCOME		5,565
B	OTHER INCOME AND EXPENSES		
6	Other operating income		489
7	Administration expenses		(15,400)
7.1	Payroll and other staff costs	6	(7,076)
7.2	Other administration expenses	7	(8,324)
8	Depreciation and amortization charges		(3,291)
9	Other operating expenses	8	(1,468)

Bank of China Ltd., Vientiane Branch

INCOME STATEMENT (continued)
for the period from 26 March 2015 to 31 December 2015

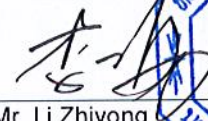
Code	ITEMS	Notes	For the period from 26 March 2015 to 31 December 2015 LAKm
III.	TOTAL LOSS BEFORE TAX		(14,105)
10	Profit tax expense	20	-
IV.	LOSS AFTER TAX		(14,105)

Prepared by:



Mr. Li Zhiwei
Financial Management and
Operation Service Unit Manager

Reviewed by:



Mr. Li Zhiyong
General Manager



Vientiane, Lao PDR

31 March 2016

Bank of China Ltd., Vientiane Branch

BALANCE SHEET
as at 31 December 2015

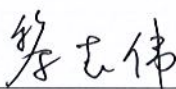
<i>Code</i>	<i>ASSETS</i>	<i>Notes</i>	<i>31 December 2015 LAKm</i>
I	Cash and balances with the BOL		372,123
1	Cash on hand	9	4,260
2	Balance with the BOL	10	367,863
II	Amounts due from other banks	11	37,775
1	Demand deposits		37,775
III	Investment in securities	12	407,400
1	Held-to-maturity securities		407,400
IV	Loans to customers, net of provision for non-performing loans	13	97,888
V	Fixed assets		14,385
1	Tangible fixed assets	14.1	13,072
2	Intangible fixed assets	14.2	1,313
VI	Other assets		23,867
1	Accrued interests receivable	15	4,198
2	Other assets	16	19,669
	TOTAL ASSETS		953,438

Bank of China Ltd., Vientiane Branch

BALANCE SHEET (continue)
as at 31 December 2015

Code	LIABILITIES AND CAPITAL	Notes	31 December 2015 LAKm
I	Amounts due to other banks		437,400
1	Demand deposits from other banks	17.1	30,000
2	Borrowing funds	17.2	407,400
II	Amounts due to customers	18	73,092
1	Demand deposits		51,676
2	Saving deposits		18,183
3	Term deposits		3,233
III	Other liabilities		50,972
1	Accrued interest		1,416
2	Other liabilities	19	49,556
	TOTAL LIABILITIES		561,464
IV	Capital and reserves		
1	Paid-up capital	21	405,100
2	General provision for credit activities	13.2	979
3	Accumulated losses		(14,105)
	TOTAL CAPITAL		391,974
	TOTAL LIABILITES AND CAPITAL		953,438

Prepared by:



Mr. Li Zhiwei
Financial Management and
Operation Service Unit Manager

Reviewed by:



Mr. Li Zhiyong
General Manager



Vientiane, Lao PDR

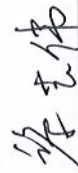
31 March 2016

Bank of China Ltd., Vientiane Branch

STATEMENT OF CHANGES IN EQUITY
for the period from 26 March 2015 to 31 December 2015

ITEMS	Paid-up capital LAKm	General provision for credit activities LAKm	Accumulated losses LAKm	Total LAKm
Balance as at 26 March 2015	-	-	-	-
Additional paid-up capital in the period	405,100	-	-	405,100
Net loss for the period	-	-	(14,105)	(14,105)
General provision charged during the period	-	1,468	-	1,468
Reversal of general provision during the period	-	(489)	-	(489)
Balance as at 31 December 2015	405,100	979	(14,105)	391,974

Prepared by:



Mr. Li Zhiwei
Financial Management and
Operation Service Unit Manager

Vientiane, Lao PDR

31 March 2016

Reviewed by:



Mr. Li Zhiyong
General Manager

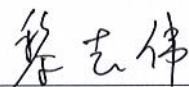
Bank of China Ltd., Vientiane Branch

CASH FLOW STATEMENT

for the period from 26 March 2015 to 31 December 2015

ITEMS	Notes	For the period from 26 March 2015 to 31 December 2015 LAKm
Net loss before tax		(14,105)
<i>Adjustments for:</i>		
Depreciation and amortization charges		3,291
Loan loss provision expenses	13.2	979
Cash outflows before changing in operating assets and liabilities		(9,835)
(Increase)/decrease in operating assets		
Balances with other banks		(32,365)
Loans and advances to customers		(97,888)
Accrued interest receivables		(4,198)
Other assets		(427,069)
Increase/(decrease) in operating liabilities		
Deposits and borrowings from other banks		437,400
Customer deposits and other amounts due to customers		73,092
Accrued interest expense		1,416
Other liabilities		49,556
Net cash flows used in operating activities		(9,891)
INVESTING ACTIVITIES		
Payments to acquire property and equipment		(17,676)
Net cash flows used in investing activities		(17,676)
FINANCING ACTIVITIES		
Capital contribution		405,100
Net cash flows from financing activities		405,100
Net increase in cash and cash equivalents		377,533
Cash and cash equivalents at the beginning of the period		-
Effect of foreign exchange difference		-
Cash and cash equivalents at the end of the period	22	377,533

Prepared by:

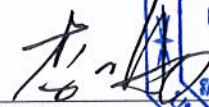


Mr. Li Zhiwei
Financial Management and
Operation Service Unit Manager

Vientiane, Lao PDR

31 March 2016

Reviewed by:



Mr. Li Zhiyong
General Manager



Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS

as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

1. CORPORATE INFORMATION

Establishment and operations

Bank Of China Ltd., Vientiane Branch (the "Branch"), a branch of Bank Of China Ltd., was established in Lao People's Democratic Republic ("Lao PDR"). The Branch operates under Banking License No. 06/BOL granted by the Bank of Lao PDR ("the BOL") on 19 February 2015.

The principal activities of the Branch are to mobilize capital and provide loans for improving and strengthening the Lao economy.

Paid-up capital

The initial registered capital of the Branch is LAK 405,100,000,000. The actual paid-up capital as at 31 December 2015 is LAK 405,100,000,000.

Management

Members of the Management during the period from 26 March 2015 to 31 December 2015 and at the date of this report are as follows:

<u>Name</u>	<u>Title</u>	<u>Date of appointment</u>
Mr. Li Zhiyong	General Manager	Appointed on 26 March 2015

Location

The Branch is located at No. 61 Phonxay, 23 Singha Road, Saysetha District, Vientiane Capital, Lao PDR.

Employees

Total employees of the Branch as at 31 December 2015 were 20 people.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted in the preparation of these financial statements are summarized below:

2.1. *Statement of compliance*

Management of the Branch states that the accompanying financial statements have been prepared in compliance with the Accounting Law of Lao PDR and the regulations stipulated by the Bank of Lao PDR relevant to preparation and presentation of financial statements.

2.2. *Basis of preparation*

The Branch maintained its accounting records in Lao Kips ("LAK") and prepared its financial statements in millions of Lao Kips ("LAKm") in accordance with Decree No. 02/PR by the Prime Minister of Lao PDR dated 22 March 2000 and the Accounting Law of Lao PDR and the regulations stipulated by the Bank of Lao PDR relevant to preparation and presentation of financial statements.

The accompanying financial statements have been prepared using accounting principles, procedures and reporting practices generally accepted in Lao PDR. Accordingly, the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes thereto are not designed for those who are not informed about Lao PDR's accounting principles, procedures and practices and furthermore are not intended to present the financial position of the Branch and its results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than Lao PDR.

2.3. *Fiscal year*

The Branch's first fiscal year starts on 26 March 2015 (the date of establishment) and ends on 31 December 2015.

The Branch's subsequent fiscal year starts on 1 January and ends on 31 December.

2.4. *Recognition of interest income and expense*

Interest income and expense are recognized in the income statement on accrual basis using straight-line method and the interest rates stipulated in the lending/depositing contracts with customers.

The recognition of accrued interest income is suspended when the loans becoming non-performing (See Note 2.8 for the definition of non-performing loans) or when management believes that the borrower has no ability to repay the interest and principal. Interest income on such loans is only recorded in the income statement when actually received.

2.5. *Recognition of fee and commission*

Fee and commission consists of fees received for fund transfer (including trade settlement), fee arising for foreign currency exchange transactions and fee arising from financial guarantees.

Fee and commissions are recognized in to income statement on cash basis.

2.6. *Cash and cash equivalents*

Cash and cash equivalents consist of cash and highly liquid short-term investments with an original maturity of 30 days or less that are readily convertible to known amount of cash and accounts due from banks with original maturity of 30 days or less.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7. Loans to customers

Loans to customers are recognized at cost and presented at outstanding balance less provision for non-performing loans.

2.8. Provision for non-performing loans ("NPL")

In accordance with Regulation 324/BOL ("BOL324") dated 19 April 2011, the Branch is required to classify loans and create provision for impairment losses. Accordingly, loans are classified into Performing loans or Non-performing loans based on the payment arrears status and other qualitative factors. Loans classified as either Normal or Pass (Group A) or Watch or Special Mention (Group B) are considered as Performing loans. Loans classified as either Substandard (Group C) or Doubtful (Group D) or Loss (Group E) are considered as Non-performing loans.

According to Regulation 324/BOL, provision for non-performing loans is established by multiplying the outstanding balance of each loan item with the provision rates applicable to that loan classification as follows:

No	Category	Specific provision rate
1	Substandard	20%
2	Doubtful	50%
3	Loss	100%

Changes in provision for non-performing loans are recorded to the income statement as "Provision expense for non-performing loans" or "Reversal of provision for non-performing loans". Accumulated provision reserve for non-performing loans is recorded in the balance sheet in "Loans and advances to customers, net of provision for NPL".

Details on the loan classification and provision for non-performing loans and the provision amount that are actually booked by the Branch as at 31 December 2015 are presented in Note 13.2.

2.9. General provision for credit activities

In accordance with BOL324, the Branch is required to create a general provision for loan losses at the rate 3.00% of the total balance of Watch or Special Mention loans as at the balance sheet date and general provision made for Normal or Pass loans shall be created upon the BOL's notification for each year. For the period from 26 March 2015 to 31 December 2015, the general provision rate for Normal or Pass loans is ranging from 0.5% to 1% in accordance with the Official Letter No. 242/BOL issued by the Bank of Lao PDR on 2 April 2011. Accordingly, the Branch provided general provision at rate of 1% out of total balance of Normal or Pass loans.

The Branch complied with the BOL's regulations on general provision provided for Normal or Pass and Watch or Special Mention loans for the period from 26 March 2015 to 31 December 2015.

In accordance with the relevant accounting regulations as stipulated by the Bank of Lao PDR, any changes in general provision for credit activities are recorded to the income statement as "Other operating expenses" for general provision expense and "Other operating income" for reversal of general provision expense and the balance of general provision reserve is recorded in the balance sheet in "General provision for credit activities" under capital and reserves of the Branch.

Details of change in general provision for credit activities are presented in Note 13.2.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10. Fixed assets

Fixed asset includes tangible fixed assets and intangible fixed assets. Tangible fixed assets consist of building improvements, furniture and fixtures, computer equipment and motor vehicles. Intangible fixed assets include start-up costs.

Fixed assets are stated at cost less accumulated depreciation and amortization, if any.

The cost of an asset comprises its purchase price plus any directly attributable costs of bringing the asset to working condition for its intended use.

Expenditures for additions, improvements and renewals are capitalized and expenditures for maintenance and repairs are charged to the income statement.

When assets are sold or disposed, their cost and accumulated depreciation are removed from the balance sheet and any gains or losses resulting from their disposal are posted to the income statement.

2.11. Depreciation and amortization

Depreciation and amortization of fixed assets are provided on the straight line basis at prescribed rates over their estimated useful life. The following are the annual depreciation and amortization rates used:

Tangible fixed assets:

Building improvements	20%
Furniture and fixtures	20%
Computer equipments	33%
Motor vehicles	20%

Intangible fixed assets:

Start-up costs	50%
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2.12. Reserves

Under the requirement of the Law on commercial Bank dated 16 January 2007, commercial banks are required to appropriate net profit to following reserves:

- ▶ Regulatory reserve fund
- ▶ Business expansion fund and other funds

In accordance with the Regulation on capital adequacy No.1/BOL dated 28 August 2011 by the Governor of the Bank of Lao PDR and other relevant guidance, commercial banks are required to provide regulatory reserve fund at the rate between 5% to 10% of profit after tax depending on the decision of the Management. The Business expansion fund and other funds shall be created upon decision of the Management. Since the Branch has accumulated losses, the Branch has not provided for statutory reserves for the period from 26 March 2015 to 31 December 2015.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13. Foreign currency transactions

The Branch maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies at period end are translated into LAK at exchange rates ruling on the balance sheet date (see the list of exchange rates of applicable foreign currencies against LAK on 31 December 2015 as presented below). Foreign exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in the income statement.

	31 December 2015
	<u>LAK</u>
United State Dollar ("USD")	8,148
Thai baht ("THB")	225.96
Chinese Yuan ("CNY")	1,236

2.14. Taxation

Provision is made for profit tax on the current year's profits, based on the Tax Law governing taxation within Lao PDR. The Branch is obliged to pay profit tax at rate of 24% of total profit before tax in accordance with the Tax Law No.05 dated 20 December 2011 which is effective on or after 1 January 2013. The Branch's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

2.15. Employee benefit

Post-employment benefits

Post-employment benefits are paid to retired employees of the Branch by its internal pension fund. Accordingly, the Branch contributes to these post-employment benefits at the rate of 4.00% of employee's gross salary on a monthly basis. The Branch has no further obligation concerning post-employment benefits for its employees other than this.

Termination benefits

In accordance with Article 82 of the Amended Labour Law No. 43/NA approved by the President of the Lao People's Democratic Republic on 28 January 2014, the Branch has the obligation to pay allowance for employees who are terminated by dismissal in the following cases:

- ▶ The employee lacks specialised skills or is not in good health and thus cannot continue to work;
- ▶ The employer considers it necessary to reduce the number of workers in order to improve the work within the labour unit.

For the termination of an employment contract on any of the above-mentioned grounds, the employer must pay a termination allowance which is calculated on the basis of 10% of the basic monthly salary earned before the termination of work. As at 31 December 2015, there are no employees of the Branch who were dismissed under the above-mentioned grounds; therefore the Branch has not made a provision for termination allowance in the financial statements.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

3. NET INTEREST AND SIMILAR INCOME

	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
Interest and similar income from:	
Interbank transactions	17
Loans to customers	2,611
Investment in held-to-maturity securities	3,925
	<u>6,553</u>
Interest and similar expense for:	
Interbank transactions	(1,378)
Customer deposits	(127)
	<u>(1,505)</u>
Net interest and similar income	<u><u>5,048</u></u>

4. FEES AND COMMISSION INCOME

	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
Fees and commission income from	
Settlement services	178
Other fees and commissions	2
	<u>180</u>

5. NET GAIN FROM DEALING IN FOREIGN CURRENCIES

	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
Gain from foreign exchange spot rate differences	404
Loss from foreign exchange spot rate differences	(10)
	<u>394</u>

6. PAYROLL AND OTHER STAFF COSTS

	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
Wages and allowances	6,473
Other staff costs	603
	<u>7,076</u>

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

7. OTHER ADMINISTRATION EXPENSES

	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
Office rental	2,184
External services	339
Repair and maintenance	66
Publication, marketing and promotion	195
Telecommunication	716
Training, meeting and seminar	3,496
Electricity and water	227
Audit and lawyer fee	102
Other expenses	999
	<u>8,324</u>

8. OTHER OPERATING EXPENSES

	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
General provision for loans to customers (see Note 13.2)	1,468
	<u>1,468</u>

9. CASH ON HAND

	<i>31 December 2015 LAKm</i>
Cash on hand in LAK	1,486
Cash on hand in foreign currencies	2,774
	<u>4,260</u>

10. BALANCES WITH THE BOL

	<i>31 December 2015 LAKm</i>
Demand deposit	335,498
Compulsory reserve	4,740
Registered capital reserve	27,625
	<u>367,863</u>

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

10. BALANCES WITH THE BOL (continued)

Balances with the BOL bear no interest.

Under regulations of the BOL, the Branch is required to maintain certain cash reserves with the BOL in the form of compulsory deposits, which are computed at 5.00% for LAK and 10.00% for foreign currencies, on a bi-monthly basis of customer deposits having original maturities of less than 12 months. In the period, the Branch maintained its compulsory deposits in compliance with the requirements of the BOL.

11. AMOUNT DUE FROM OTHER BANKS

	<i>31 December 2015</i> <i>LAKm</i>
Demand deposits at domestic banks	
ICBC Vientiane Branch	984
Demand deposits at foreign banks	
Bank of China Shanghai Branch	6,019
Bank of China Head Office	28,889
Bank of China Frankfurt Branch	809
Bank of China Thailand Branch	1,074
	<u>37,775</u>

12. INVESTMENT IN SECURITIES

	<i>31 December 2015</i> <i>LAKm</i>
Held-to-maturity securities	
Bonds issued by the BOL	407,400
	<u>407,400</u>

Bonds issued by the BOL have terms of 5 year and earn interest at a fixed rate of 4.82% per annum.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

13. LOANS TO CUSTOMERS, NET OF PROVISION FOR NON-PERFORMING LOANS

	<i>31 December 2015</i> <i>LAKm</i>
Loans to customers (<i>Note 13.1</i>)	97,888
Less provision for non-performing loans (<i>Note 13.2</i>)	-
	97,888
	<i>For the period from</i> <i>26 March 2015 to 31</i> <i>December 2015</i>
	<i>Interest rates</i> <i>% per annum</i>
Loans denominated in LAK	11%
Loans denominated in USD	7.04%
13.1 Analysis of loans to customers	
<i>Analysis by currency</i>	
	<i>31 December 2015</i> <i>LAKm</i>
Loans denominated in LAK	48,888
Loans denominated in USD	49,000
	97,888
<i>Analysis by status of loans</i>	
	<i>31 December 2015</i> <i>LAKm</i>
Performing loans	97,888
Non-performing loans ("NPL")	-
	97,888
<i>Analysis by original term</i>	
	<i>31 December 2015</i> <i>LAKm</i>
Short-term loans	-
Medium-term loans	97,888
Long-term loans	-
	97,888
<i>Analysis by economic sectors</i>	
	<i>31 December 2015</i> <i>LAKm</i>
Construction companies	49,000
Agriculture companies	48,888
	97,888

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)

as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

13. LOANS TO CUSTOMERS, NET OF PROVISION FOR NON-PERFORMING LOANS (continued)

13.2 Provision for credit losses

Movement of provision for credit losses of the Branch during the period from 26 March 2015 to 31 December 2015 is as follows:

	<i>Provision for NPL LAKm</i>	<i>General provision LAKm</i>	<i>Total LAKm</i>
As at 26 March 2015	-	-	-
Provision charged to expense in the period	-	1,468	1,468
Reversal of provision in the period	-	(489)	(489)
As at 31 December 2015	-	979	979

The breakdown of loan classification and provision as required by the BOL as at 31 December 2015 are as follows:

<i>Classification</i>	<i>Loan balance LAKm</i>	<i>Specific provision LAKm</i>	<i>General provision LAKm</i>	<i>Total provision LAKm</i>
Current	97,888	-	979	979
Special Mention	-	-	-	-
Sub-standard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
Total	97,888	-	979	979

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

14. FIXED ASSETS

14.1 Tangible fixed assets

Movements of the balance of tangible fixed assets during the period from 26 March 2015 to 31 December 2015 are as follows:

	<i>Building improvements LAKm</i>	<i>Furniture & fixtures LAKm</i>	<i>Computer equipment LAKm</i>	<i>Motor vehicles LAKm</i>	<i>Total LAKm</i>
Cost:					
As at 26 March 2015	-	-	-	-	-
Additions for the period	7,448	4,912	2,011	1,176	15,547
As at 31 December 2015	7,448	4,912	2,011	1,176	15,547
Accumulated depreciation:					
As at 26 March 2015	-	-	-	-	-
Charge for the period	1,118	715	488	154	2,475
As at 31 December 2015	1,118	715	488	154	2,475
Net book value:					
As at 31 December 2015	6,330	4,197	1,523	1,022	13,072

14.2 Intangible fixed assets

Movements of the balance of intangible fixed assets during the period from 26 March 2015 to 31 December 2015 are as follows:

	<i>Start-up cost LAKm</i>	<i>Total LAKm</i>
Cost:		
As at 26 March 2015	-	-
Additions for the period	2,129	2,129
As at 31 December 2015	2,129	2,129
Accumulated amortisation:		
As at 26 March 2015	-	-
Charge for the period	816	816
As at 31 December 2015	816	816
Net book value:		
As at 31 December 2015	1,313	1,313

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

15. ACCRUED INTERESTS RECEIVABLE

	<i>31 December 2015</i> <i>LAKm</i>
Accrued interest income from deposits at other banks	2
Accrued interest income from loans to customer	271
Accrued interest income from held-to-maturity securities	3,925
	<u>4,198</u>

16. OTHER ASSETS

	<i>31 December 2015</i> <i>LAKm</i>
Prepaid expenses	19,669
	<u>19,669</u>

17. AMOUNTS DUE TO OTHER BANKS

17.1 *Demand deposit*

	<i>31 December 2015</i> <i>LAKm</i>
Demand deposits from domestic bank	
ANZ Laos Branch	30,000
	<u>30,000</u>

17.2 *Borrowing fund*

	<i>31 December 2015</i> <i>LAKm</i>
Borrowing from foreign bank	
Bank of China Head Office	407,400
	<u>407,400</u>

The borrowing from Bank of China Head Office is denominated in USD, has a term of 5 year and bears interest of 1.67% per annual.

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

18. AMOUNTS DUE TO CUSTOMERS

Details of amounts due to customers as at 31 December 2015 are as follows:

	<i>31 December 2015</i> <i>LAKm</i>
Demand deposits	
- in LAK	2,630
- in foreign currencies	49,046
	51,676
Saving deposits	
- in LAK	1,622
- in foreign currencies	16,561
	18,183
Term deposits	
- in LAK	1,093
- in foreign currencies	2,140
	3,233
	73,092

The interest rates for amounts due to customers are as follows:

	<i>For the period from</i> <i>26 March 2015 to</i> <i>31 December 2015</i> <i>Interest rate</i>
Demand deposits in LAK	No interest
Demand deposits in foreign currencies	No interest
Saving deposits in LAK	1.00%
Saving deposits in USD	1.25%
Saving deposits in THB	0.50%
Term deposits in LAK	3.00% - 9.00%
Term deposits in USD	2.00% - 6.25%
Term deposits in THB	0.75% - 4.50%

19. OTHER LIABILITIES

	<i>31 December 2015</i> <i>LAKm</i>
Payable to Bank of China Head Office	45,776
Payable to employee	3,679
Others	101
	49,556

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

20. TAXATION

Profit Tax ("PT")

The Branch is obliged to pay PT at rate of 24% on total profit before tax of the period in accordance with Tax Law No.05 dated 20 December 2011 which is effective on or after 1 January 2013.

	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
Loss before tax	(14,105)
Tax reconciling item arising from difference between accounting practice and Tax Law	745
Taxable income	(13,360)
Current PT expense, at the statutory rate of 24%	-
PT payable at the beginning of the period	-
PT paid during the period	-
PT payable at the end of the period	-

The Branch's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations in many types of transactions is susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the tax authorities.

21. PAID-UP CAPITAL

The movement of paid up capital during the period is presented below:

	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
Opening balance	-
Increase in the period	405,100
Closing balance	405,100

22. CASH AND CASH EQUIVALENTS

	<i>31 December 2015 LAKm</i>
Cash on hand	4,260
Current accounts with the BOL	335,498
Current accounts with other banks	37,775
	377,533

Bank of China Ltd., Vientiane Branch

NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

23. RELATED PARTY TRANSACTIONS

Related party transactions include all transactions undertaken with other parties to which the Branch is related. A party is related to the Branch if:

- (a) directly, or indirectly through one or more intermediaries, the party:
- ▶ controls, is controlled by, or is under common control with, the Branch (this includes parents, subsidiaries and fellow subsidiaries);
 - ▶ has an interest in the Branch that gives it significant influence over the Branch; or
 - ▶ has joint control over the Branch.
- (b) the party is a joint venture in which the Branch is a venture;
- (c) the party is a member of the key management personnel of the Branch or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) or (d);
- (e) the party is a Branch that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such Branch resides with, directly or indirectly, any individual referred to in (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of employees of the Branch, or of any Bank that is a related party of the Branch.

Significant balances with related parties as at 31 December 2015 are as follows:

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>31 December 2015 Receivable/(Payable) LAKm</i>
Bank of China Head Office	Parent	Demand deposits at the parent bank	28,889
		Borrowing from the parent bank	(407,400)
		Other payable to the parent bank	(45,776)

Significant transactions with related parties during the period were as follows:

	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
Interest expense for the borrowing from Bank of China Head Office	1,378

Transactions with key management personnel of the Branch

Remuneration to members of the Board of Management is as follows:

	<i>For the period from 26 March 2015 to 31 December 2015 LAKm</i>
Salaries and bonus	1,527
	1,527

Bank of China Ltd., Vientiane Branch

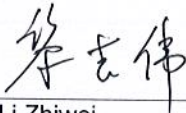
NOTE TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2015, and for the period from 26 March 2015 to 31 December 2015

24. EVENTS AFTER THE BALANCE SHEET DATE


Other than as disclosed elsewhere in these financial statements, at the date of this report, there were no events, which occurred subsequent to 31 December 2015 that significantly impacted the financial position of the Branch as at 31 December 2015.

Prepared by:

Reviewed by:



Mr. Li Zhiwei
Financial Management and
Operation Service Unit Manager



Mr. Li Zhiyong
General Manager



Vientiane, Lao PDR

31 March 2016