

Bank of China International Holdings Limited
Registered number: 3226975

Annual report and financial statements for the year ended
31 December 2020



Bank of China International Holdings Limited

Annual report for the year ended 31 December 2020

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Bank of China International Holdings Limited

Directors and advisers

Directors

Tong Li (Chairperson)
Jun Wang
Alvin Cheng-Hock Chua
Siu Hong Fan
Konstandinos Kakoulli

Company secretary

Trevor Cessford
1 Lothbury, London, EC2R 7DB

Registered office

1 Lothbury, London, EC2R 7DB

Banker

The main banker of the Company is Bank of China International Limited.

The Company in addition uses the facilities of:

HSBC Bank Plc
8 Canada Square
London
E14 5HQ

Solicitors

The Company, from time to time, uses the services of:

Eversheds Sutherland
One Wood Street
London
EC2V 7WS

Independent auditors

Ernst & Young LLP
Chartered accountants and statutory auditors
25 Churchill Place
London
E14 5EY

Bank of China International Holdings Limited

Directors' report for the year ended 31 December 2020

The directors present their report and the audited financial statements of Bank of China International Holdings Limited ("the Company", company number 3226975) for the year ended 31 December 2020. Under section 414B of the Companies Act 2006 the Company is entitled to the exemption from preparing a strategic report as the Company would have been entitled to prepare financial statements for the year in accordance with the small companies' regime if it wasn't a member of an ineligible group.

The immediate parent company is BOC International Holdings Limited (a company incorporated in Hong Kong, "BOCI Holdings" and together with its direct and indirect subsidiaries "BOCI Group") whose parent company is Bank of China Limited (a company incorporated in China, "BOC"). The parent company of Bank of China Limited is Central Huijin Investment Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"). Both Huijin and CIC are companies incorporated in China.

Principal activities

The Company is an investment holding company for its wholly owned direct subsidiaries, Bank of China International (UK) Limited ("BOCI UK"), BOCI Global Commodities (UK) Limited ("GC UK", together the "UK Operating Subsidiaries"), and BOC International (USA) Holdings Inc. ("Holdings US"). Holdings US is an investment holding company of its wholly owned direct subsidiaries, i.e. indirect subsidiaries of the Company, BOC International (USA) Inc. ("BOCI US") and BOCI Commodities & Futures (USA) LLC ("GC US"), together the "US sub-group".

The main activity of BOCI UK and BOCI US is the broking of securities traded over the Hong Kong Stock Exchange ("HKSE") for institutional clients in the UK and other European countries and US market respectively. The main activity of GC UK is the execution and clearing of commodity contracts on the London Metal Exchange and ICE Europe and GC US conducts commodities brokerage and clearing on the CME – both typically on behalf of Asian clients. Please see below section "Review of business and future development" for status of the US companies from 1 January 2021.

Results and dividends

The loss after tax for the financial year was HK\$16,913,675 (2019: loss after tax HK\$5,797,020). The 2020 loss included an impairment of HK\$17,454,029 (comprised GC US HK\$7,747,616 and Holdings US HK\$9,706,413) (2019 impairment of HK\$7,169,100 (comprised GC US HK\$15,995,150 and write back of impairment of BOCI UK of HK\$8,826,050)). GC US is an indirect subsidiary of the Company. The Company did not pay, and does not propose, any dividends during the years 2020 and 2019.

Review of business and future development

Effective from 1 January 2021 the activities of (a) GC US ceased, (b) BOCI US reduced, and (c) Holdings US dramatically reduced and it is anticipated that the existing level of financial impairment of these companies by the Company will be sufficient. This has not affected the operations of the UK registered companies and, as in previous years, the directors anticipate the activities of the Company's UK subsidiaries will develop in line with the business activities of BOCI Group.

On 20 March 2020 the Company subscribed and paid for an additional US\$14,000,000 of shares in GC UK.

Principal risks and uncertainties

The principal risk to the business is the possibility of impairment to its subsidiaries. Concerning Brexit, negotiations have not yet concluded on equivalence of regulatory status. The Company does not anticipate being directly affected and the same applies to almost all the subsidiaries. However, for BOCI UK, the clients within the EU generated HK\$1,063,318 (2019: HK\$1,533,273) of equity broking revenue 34.2% of the total (2019: 44.4%) and depending on the eventual terms of any agreement, a proportion of that revenue is at risk. Concerning COVID-19, since Tuesday 24 March 2020 until at least the date of this report all UK based staff have been working remotely and have achieved business as usual ("BAU").

Directors and their interests

The directors of the Company who were in office during the year and up to the date of signing the financial statements are:

Tong Li (Chairperson)
Jun Wang
Alvin Cheng-Hock Chua
Siu Hong Fan
Konstandinos Kakoulli

Bank of China International Holdings Limited

Directors' report for the year ended 31 December 2020 (continued)

Directors and officers insurance

The directors and officers of the Company are covered by a directors and officers liability insurance policy held by a group company with coverage to all of its subsidiaries including the Company.

Going concern ("GC")

Although the economy is suffering from global events such as: US-China trade friction; Covid-19; and Brexit the directors have a reasonable expectation that the Company has sufficient resource to support its operational existence for the period of not less than 12 months since the approval of the financial statement. The Company, when it has surplus funds, will further pay-down borrowings from BOCI Holdings, however, there is no requirement from BOCI Holdings to do so within a defined timescale.

Under a stress test where revenue is reduced to 25% of last year and expenses are per last year the Company has sufficient cash to last seven months, for assurance of the sufficiency of seven months, please read the remainder of this section. The revenue assumption is not realistic as revenue is supported by agreements for support services on a cost plus basis with the UK Operating Subsidiaries. The cash/revenue of these Agreements depends upon the cash flow of the UK Operating Subsidiaries. BOCI UK derives the majority of its revenue from the cost plus based marketing/service agreements with its HK based sister companies and GC UK has been increasingly profitable over the last few years and thus far for 2021 the results are satisfactory and broadly in line with 2020 - especially as against the Covid-19 and China-US friction challenges. The revenue generated from GC US in 2020 represented 1% and in 2021 this will be redirected to GC UK and BOCI UK. Further, the Company and the UK Operating Subsidiaries are covered by a support letter from BOCIH Limited dated 15 March 2021 in which the following is stated "If it appears that the companies may fail to meet their liabilities as and when they fall due and/or to enable them to continue their operations as going concerns in the foreseeable future, BOC International Holdings Limited will provide sufficient financial support and liquidity to satisfy their requirements".

Therefore, the directors continue to adopt the going concern basis in preparing the annual financial statements.

Financial risk management

The activities of the subsidiaries of the Company expose it to the financial risks described below. The risk management programme of the subsidiary companies focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on their financial performance.

(a) Market risk

The Company has certain investments in companies whose functional currency is not HK\$, therefore the net assets of those operations and any non-HK\$ operations of the Company are exposed to foreign exchange ("FX") risk.

FX risk is the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. See note 3 (starting at page 17) for the FX rates and FX currency exposure amounts.

(b) Credit risk

The Company's maximum exposure to credit risk relates to: (a) its major classes of financial assets, which is cash and cash equivalents and due from banks of HK\$5,350,440 (2019: HK\$26,911,070); (b) trade and other receivable balances of HK\$8,577,809 (2019: HK\$7,945,905); and (c) subordinated loan to BOCI US of HK\$7,748,834 (2019: HK\$7,785,664) (the values are stated net of the ECL amount, which is immaterial (note 4)).

None of the financial assets have seen significant increase in credit risk nor are credit impaired and are investment grade. The Company holds no collateral or other credit enhancements on any of its assets.

(c) Operational risk

This is defined as the risk of loss resulting from inadequate or failed internal processes, personnel and systems or from external events. It includes the risk of failing to comply with applicable laws, regulations and BOC internal policies. Operational risk does not include credit, market, liquidity and reputation risk. The Company is subject to the BOCI Group's "Operational Risk and Control Assessment ("RACA") Procedure Manual". The various processes are tested and reviewed each year and updated as required.

Bank of China International Holdings Limited

Statement of Directors' responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure of information to auditors

Each director has responsibility for ensuring that;

- as far as himself/herself is aware, there is no relevant audit information of which the Company's auditors are unaware, and that
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The financial statements on pages 8 to 33 have been audited by Ernst & Young LLP. As the Company is a subsidiary of Bank of China Limited, the selection of auditor has to follow rotation at the parent level, therefore, Ernst & Young LLP will be terminated as auditor after the 2020 financial year and a new group auditor is in the process of finalisation of appointment.

The financial statements and accompanying notes on pages 8 to 33 were approved and authorised for issue by the Board of Directors on 18 June 2021 and signed on its behalf by



Konstandinos Kakoulli

Director

18 June 2021

Bank of China International Holdings Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BANK OF CHINA INTERNATIONAL HOLDING LIMITED

Opinion

We have audited the financial statements of Bank of China International Holdings Limited for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of not less than twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained with the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Bank of China International Holdings Limited

INDEPENDENT AUDITORS' REPORT (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 AUDITORS' REPORT (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the Companies Act 2006, International Accounting Standards, and UK tax legislation.
- We understood how Bank of China International Holdings Limited is complying with those frameworks by making inquiries of management and those responsible for legal and compliance matters. We also reviewed minutes of the Board of Directors and gained an understanding of the Company's governance framework. We understood the nature of the Company, its business activities and understood the regulatory control environment in which it operates.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. This included assessing the impact of remote working due to COVID-19 and understanding the performance incentives and their potential to influence management decisions.
- Our procedures to address the risks identified also included incorporation of unpredictability into the nature, timing and /or extent of our testing, challenging assumptions and judgements made by management in their significant accounting estimates and journal entry testing.
- As the audit of a Company requires specialised audit skills, the senior statutory auditor considered the experience and expertise of the audit team to ensure that the team had the appropriate competence and capabilities and included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP.

Jean-Philippe Faillat (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
18 June 2021

Bank of China International Holdings Limited

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 HK\$	2019 HK\$
Revenue	5	25,576,625	25,337,949
		25,576,625	25,337,949
Staff costs	6	(17,290,632)	(17,138,872)
Depreciation	13	(3,615,331)	(3,438,284)
Other operating expenses	7	(3,373,206)	(3,449,905)
Foreign exchange gain/(loss)		80,808	(64,927)
Operating expenses		(24,198,361)	(24,091,988)
Operating profit	8	1,378,264	1,245,961
Impairment of investment in subsidiaries	26	(17,454,029)	(7,169,100)
Interest income	10	453,406	802,811
Interest expense	11	(1,168,468)	(348,107)
Net interest (expense)/income		(715,062)	454,704
Loss before taxation		(16,790,827)	(5,468,435)
Taxation	12	(122,848)	(328,585)
Loss for the financial year		(16,913,675)	(5,797,020)
Other comprehensive income		-	-
Total comprehensive loss for the year		(16,913,675)	(5,797,020)

There were no recognised gains and losses other than the profit or loss for the year.

The accompanying notes are an integral part of these financial statements.

Bank of China International Holdings Limited

Statement of financial position as at 31 December 2020

	Note	2020 HK\$	2019 HK\$
Non-current assets			
Plant and equipment	13	4,725,774	8,200,520
Investment in subsidiaries	14	313,551,318	222,484,347
Loan to subsidiary	15	7,748,834	7,785,664
Deferred tax	12	106,789	-
		326,132,715	238,470,531
Current assets			
Cash and cash equivalents	16	2,647,282	3,124,413
Due from banks	17	2,703,158	23,786,657
Corporation tax		35,260	60,188
Trade and other receivables	18	8,577,809	7,945,905
		13,963,509	34,917,163
Current liabilities			
Trade and other payables	19	9,902,980	13,876,115
Loan from parent	20	87,595,340	-
		97,498,320	13,876,115
Net current (liabilities)/assets		(83,534,811)	21,041,048
Net assets		242,597,904	259,511,579
Equity			
Share capital	21	340,000,000	340,000,000
Accumulated losses		(97,402,096)	(80,488,421)
Total equity		242,597,904	259,511,579

These financial statements were approved and authorised for issue by the Board of Directors on 18 June 2021.



Konstandinos Kakoulli

Director

Date 18 June 2021

Bank of China International Holdings Limited

Statement of changes in equity for the year ended 31 December 2020

	Issued share capital HK\$	Accumulated losses HK\$	Total HK\$
As at 1 January 2020	340,000,000	(80,488,421)	259,511,579
Total comprehensive loss for the year	-	(16,913,675)	(16,913,675)
As at 31 December 2020	340,000,000	(97,402,096)	242,597,904
As at 1 January 2019	340,000,000	(74,691,401)	265,308,599
Total comprehensive loss for the year	-	(5,797,020)	(5,797,020)
As at 31 December 2019	340,000,000	(80,488,421)	259,511,579

Bank of China International Holdings Limited

Statement of cash flows for the year ended 31 December 2020

	Note	2020 HK\$	2019 HK\$
Cash flows from operating activities			
Cash generated in operations	22	24,127,251	4,374,375
Net cash inflow from operating activities		<u>24,127,251</u>	<u>4,374,375</u>
Cash flows from investing activities			
Additional capital contribution to a subsidiary	14	(108,521,000)	-
Purchase of plant and equipment	13	(140,585)	(571,263)
Payments of principal on leased assets		(3,425,101)	(3,425,102)
Interest received		541,405	830,777
Net cash outflow from investing activities		<u>(111,545,281)</u>	<u>(3,165,588)</u>
Cash flows from financing activities			
Loan from parent company	20	87,595,340	-
Loan from parent company, interest thereon		(693,497)	-
Net cash inflow from financing activities		<u>86,901,843</u>	<u>-</u>
Effects of exchange rate changes		39,056	27,404
Net (decrease)/increase in cash and cash equivalents		<u>(477,131)</u>	<u>1,236,191</u>
Cash and cash equivalents at the beginning of the year		3,124,413	1,888,222
Cash and cash equivalents at the end of the year	16	<u>2,647,282</u>	<u>3,124,413</u>

Bank of China International Holdings Limited

Notes to the financial statements

1 General Information

The Company is a limited company incorporated and domiciled in the United Kingdom whose registered office is at 1 Lothbury, London, EC2R 7DB. The immediate parent company is BOC International Holdings Limited (a company incorporated in Hong Kong, "BOCI Holdings" and together with its direct and indirect subsidiaries "BOCI Group") whose parent company is Bank of China Limited (a company incorporated in China, "BOC"). The parent company of Bank of China Limited is Central Huijin Investment Limited ("Huijin"), a wholly owned subsidiary of China Investment Corporation ("CIC"). Both Huijin and CIC are companies incorporated in China.

The Company is an investment holding company for its wholly owned direct subsidiaries, Bank of China International (UK) Limited ("BOCI UK"), BOCI Global Commodities (UK) Limited ("GC UK together the "UK Operating Subsidiaries"), and BOC International (USA) Holdings Inc. ("Holdings US"). Holdings US is an investment holding company of its wholly owned direct subsidiaries, or indirect subsidiaries of the Company, BOC International (USA) Inc. ("BOCI US") and BOCI Commodities & Futures (USA) LLC ("GC US"), together the "US sub-group". The main activity of BOCI UK and BOCI US is the broking of securities traded over the Hong Kong Stock Exchange for institutional clients in the UK and other European countries and US market respectively. The main activity of GC UK is the execution and clearing of commodity contracts on the London Metal Exchange and ICE Europe and GC US conducts commodities brokerage and clearing on the CME – both typically on behalf of Asian clients.

Please see Directors report section "Review of business and future development" on page 2 for status of the US companies from 1 January 2021.

2 Accounting policies

(a) Basis for preparation

The financial statements of the Company have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, have been prepared under the historical cost convention, and have required the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The principal accounting policies adopted 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. The directors have assessed, in the light of current and ongoing uncertain economic conditions, the Company's ability to continue as a going concern. The directors confirm they are satisfied that the Company has adequate resources, supported by BOC International Holdings Limited, to continue in business for the period under assessment, being not less than 12 months since the approval of the financial statement, and therefore continue to adopt the "going concern" basis for preparing the financial statements.

For the financial year ended 31 December 2020, as the Company is a wholly owned subsidiary of Bank of China Limited and the consolidated financial statement of Bank of China Limited is publicly available, management has taken exemption from Section 401 of Companies Act 2006 to prepare the consolidated financial statements.

(b) New accounting standards

(i) Effective in the financial year beginning 1 January 2020 and relevant to the Company

- None

(ii) Issued but not effective for the financial year beginning 1 January 2020 and not early adopted

- None

(iii) Early adoption

- The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Bank of China International Holdings Limited

Notes to the financial statements

2 Accounting policies (continued)

(c) Foreign currency translation

- (i) **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 Hong Kong Dollars, which is the Company's functional and presentation currency.
- (ii) **Transactions and balances:** Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 statement of comprehensive income.

(d) Cash and cash equivalents

Represents cash on hand and at call and placement(s) with banks with original maturities of three months or less.

(e) Due from banks

Represents placement(s) with banks with original maturities greater than three months.

(f) Share capital

Ordinary shares are classified as equity.

(g) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the statement of financial position date.

(h) Tax and deferred income tax

Corporation tax payable is provided on taxable profits at the current rate.

Deferred income tax is provided in full, 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 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 substantially enacted by the statement of financial position date 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 to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Bank of China International Holdings Limited

Notes to the financial statements

2. Accounting Policies (continued)

(i) Provisions

A provision will be made when: (a) the Company has a present obligation (legal or constructive) arising from a past event; and (b) an outflow of resources is probable; and (c) a reliable estimate can be made of the expected outflow.

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed

(j) Impairment of investments in subsidiaries

In accordance with IAS 36 the Company shall assess whether there is any objective evidence that an asset, or cash generating unit ("CGU"), may be impaired and adjust to the recoverable amount being the higher of (a) its fair value less costs to sell and (b) its value in use (note 26).

Where an asset or CGU has been impaired in previous periods a similar assessment is conducted to assess whether there is any objective evidence to indicate that a write back is in order – the maximum write back being to the original investment cost.

An assessment is made at each balance sheet date as to whether there is an indication that a given impairment loss has changed.

(k) Employee benefits

The Company operates a defined contribution plan called a Group Personal Pension Plan ("GPPP"). The Company pays contributions to privately administered pension insurance plans. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(l) Leases

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Bank of China International Holdings Limited

Notes to the financial statements

2. Accounting Policies (continued)

(m) Critical accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. The disclosures made herein with respect to the accounting estimates are complete and made in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The amounts recorded for impairment of investments in subsidiaries was derived by evaluating the recoverable amount and comparing this against the investment cost. The recoverable amount is derived from the net book value less amounts to cover reasonable lease commitments and to effect a sale in an orderly market to a willing buyer.

The measurement processes, including related assumptions and models, used to estimate the bonus accrual value of the current year of HK\$3,843,261 (2019: HK\$3,073,690) have been consistently applied and they appropriately reflect our intent and ability to carry out the estimation of the accrued bonus amount. However, until the bonus is approved by Bank of China Limited it is possible that the bonus amount may change, and that this change might be significant.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 12.

(n) Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income on an accrual basis and are calculated using the effective interest rate method.

(o) Plant and equipment

All plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives, principally as follows:

Computers - Hardware	3 years
Computers - Software	3 years
Furniture and fixtures	5 years
Right-of-use assets	Depreciated over the period of the lease.

The residual values of the assets and their useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Bank of China International Holdings Limited

Notes to the financial statements

2. Accounting Policies (continued)

(p) Financial assets

As the financial assets of the Company are solely payments of principal and interest they pass the SPPI test and as they are held under the business model of hold to collect the Company therefore classifies its financial assets in the category of amortised costs.

Financial assets at amortised cost

This category is the only one relevant to the Company. They are included in current assets, except for maturities greater than twelve months after the statement of financial position date. These are classified as non-current assets.

The Company records the allowance for under IFRS9 expected credit loss ("ECL") for debt instruments recorded at amortised cost or at FVOCI, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss, in this section all referred to as "financial instruments".

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime basis), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the twelve months' expected credit loss (the "twelve-month basis"). The twelve-month basis is the portion of the lifetime basis that represents the ECLs that result from default events on a financial instrument that are possible within the twelve months after the reporting date. Both lifetime basis and twelve-month basis are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. As of 31 December 2020 the calculation model was updated to incorporate the economic impact of COVID-19.

Based on the above process, the Company classifies financial assets into three stages, each of which is associated with an ECL requirement that is reflective of the assessed credit risk profile in each instance:

- A financial asset is classified under Stage 1 if it was not credit-impaired upon origination and there has not been a significant increase in its credit risk since inception. A provision for twelve-month ECL is required.
- A financial asset is classified under Stage 2 if it was not credit-impaired upon origination but has since suffered a significant increase in credit risk. A provision for life-time ECL is required.
- A financial asset which has been credit-impaired with objective evidence of default is classified under Stage 3. The assessed ECL is expected to be unchanged from the existing individual allowances taken for such assets.

The individual and aggregate ECL values are immaterial, see note 4.

(q) Financial liabilities

The Company classifies its financial liabilities in the category of amortised cost.

Financial liabilities at amortised cost

This category is the only one relevant to the Company. Payables are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance expense in the statement of comprehensive income.

Bank of China International Holdings Limited

Notes to the financial statements

3 Financial risk management

Financial risk factors

The activities of the Company expose it to the financial risks described below. The risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US\$, GBP with HK\$ being the Company's functional currency. Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates relative to the functional currency.

The Company has certain investments in companies whose functional currency is not HK\$, therefore the net assets of those operations and any non-HK\$ operations of the Company are exposed to foreign exchange risk.

Sensitivity analysis

Using the balances as at the end of the respective years, a one percent appreciation in the currencies against the HK\$ would have the following effect on the income statement.

Currency (HK\$ equivalent)	2020 HK\$	2019 HK\$
US\$	(799,802)	182,362
GBP	59,101	43,812

A one percent depreciation would have an equal and opposite effect. All movements in FX rates are reflected in the statement of comprehensive income. The FX impact on equity will be the same.

The original currency values in the below tables were translated into HK\$ at the following rates.

FX rates	2020	2019
US\$	7.7518	7.7866
GBP	10.5797	10.2258

The Company operates its foreign exchange exposure on a matched asset/liability basis for each currency, or at least as close as it can. This applies to all currencies except its functional currency.

Exposure to interest rate risk

For the avoidance of doubt the Company does not operate a trading or investment book. No category of the Company's financial position is naturally subject to interest exposure except (a) 'Cash and balances with banks' and 'Loans to subsidiaries' and (b) the loan from the parent company. Currently interest rates across all currencies that the Company has are relatively low – all less than 2.6% (2019: 3.9%).

Bank of China International Holdings Limited

Notes to the financial statements

3 Financial risk management (continued)

Financial risk factors (continued)

The tables below show the currency analysis of the net financial assets.

The values in the note 3, inclusive of the below tables, are net of the applicable ECL impairment. However, the impairments are immaterial, please see note 4 for details.

2020 (HK\$ equivalent)	HK\$	US\$	GBP	Total
Non-current assets				
Loan to subsidiary	-	7,748,834	-	7,748,834
	-	7,748,834	-	7,748,834
Current assets				
Cash and cash equivalents	-	-	2,647,282	2,647,282
Due from banks	1,879,697	823,461	-	2,703,158
Prepaid tax			35,260	35,260
Trade and other receivables *	1,144	71,289	8,505,376	8,577,809
	1,880,841	894,750	11,187,918	13,963,509
Current liabilities				
Trade and other payables	4,281,790	247,214	5,373,976	9,902,980
Loan from parent	-	87,595,340	-	87,595,340
	4,281,790	87,842,554	5,373,976	97,498,320
Net financial (liabilities)/assets	(2,400,949)	(79,198,970)	5,813,942	(75,785,977)

Bank of China International Holdings Limited

Notes to the financial statements

3 Financial risk management (continued)

Financial risk factors (continued)

2019 (HK\$ equivalent)	HK\$	US\$	GBP	Total
Non-current assets				
Loan to subsidiary	-	7,785,664	-	7,785,664
	-	7,785,664	-	7,785,664
Current assets				
Cash and cash equivalents	-	-	3,124,413	3,124,413
Due from banks	13,775,793	10,010,864	-	23,786,657
Trade and other receivables *	173,721	249,339	7,522,845	7,945,905
	13,949,514	10,260,203	10,647,258	34,856,975
Current liabilities				
Trade and other payables	7,506,271	-	6,369,844	13,876,115
Corporation tax	-	-	-	-
	7,506,271	-	6,369,844	13,876,115
Net financial assets	6,443,243	18,045,867	4,277,414	28,766,524

* The above values for trade and other receivables includes prepayments HK\$701,046 (8.2%) (2019: HK\$1,055,040 (13.3%)). Although prepayments are not a financial asset, for ease of reconciliation with the statement of financial position and notes, they have been included.

(b) Credit risk

The Company's maximum exposure to credit risk relates to: (a) its major classes of financial assets, which is cash and cash equivalents and due from banks of HK\$5,350,440 (2019: HK\$26,911,070); (b) trade and other receivable balances of HK\$8,577,809 (2019: HK\$7,945,905); and (c) subordinated loan to BOCI US of HK\$7,748,834 (2019: HK\$7,785,664) (the values are stated net of the ECL amount, which is immaterial (note 4)).

None of the financial assets have seen significant increase in credit risk nor are credit impaired. The Company holds no collateral or other credit enhancements on any of its assets.

Bank of China International Holdings Limited

Notes to the financial statements

3 Financial risk management (continued)

Financial risk factors (continued)

(c) Liquidity risk

As can be seen from the maturity profile table below much of the cash is held at short notice and no maturities are longer than twelve months. The Company's treasury policy requires the matching of maturities of liabilities with an equal value and maturity of asset (with the restriction that the maximum maturity of any 'cash' asset is no longer than twelve months).

The maturity profile of financial assets and liabilities are summarised as follows

2020 HK\$	Repayable on demand	Repayable within 3 months or less	Repayable after 3 months but within 1 year	Repayable after 1 year but within 5 years	Total
Loan to subsidiary	-	-	-	7,748,834	7,748,834
Cash and cash equivalents	2,647,282	-	-	-	2,647,282
Due from banks	-	823,461	1,879,697	-	2,703,158
Trade and other receivables *	-	6,617,128	1,960,681	-	8,577,809
Loan from parent	-	(87,595,340)	-	-	(87,595,340)
Trade and other payables	-	(4,316,223)	(4,724,525)	(862,232)	(9,902,980)
Of which lease liabilities	-	(818,688)	(2,503,713)	(862,232)	(4,184,633)
2019 HK\$	Repayable on demand	Repayable within 3 months or less	Repayable after 3 months but within 1 year	Repayable after 1 year but within 5 years	Total
Loan to subsidiary	-	-	-	7,785,664	7,785,664
Cash and cash equivalents	3,124,413	-	-	-	3,124,413
Due from banks	-	-	23,786,657	-	23,786,657
Trade and other receivables *	-	5,510,833	2,435,072	-	7,945,905
Trade and other payables	-	(5,625,315)	(4,066,168)	(4,184,632)	(13,876,115)
Of which lease liabilities	-	(787,873)	(2,409,473)	(4,184,632)	(7,381,978)

* The above values for trade and other receivables includes prepayments HK\$701,046 (8.2%) (2019: HK\$1,055,040 (13.3%)). Although prepayments are not a financial asset, for ease of reconciliation with the statement of financial position and notes, they have been included. For the same ease of reconciliation reason lease liabilities over a year have also been included. Trade and other payables within a year are mainly represented by accruals and amounts payable to HMRC for national insurance and PAYE.

Bank of China International Holdings Limited

Notes to the financial statements

3 Financial risk management (continued)

Financial risk factors (continued)

(d) Operational risk

This is defined as the risk of loss resulting from inadequate or failed: internal processes; personnel and systems; or from external events. It includes the risk of failing to comply with applicable laws, regulations and BOCI internal policies. Operational risk does not include credit; market; liquidity; and reputation risk. The Company is subject to the BOCI Group's "Operational Risk and Control Assessment ("RACA") Procedure Manual". Various processes will be tested and reviewed each year and updated as required.

(e) Fair value estimation

Due to the majority of non-financial assets and liabilities being with immediate maturity, their book value approximates to their fair value.

(f) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares.

Bank of China International Holdings Limited

Notes to the financial statements

4 ECL impairment ("ECL") (only applies to financial assets)

2020 (HK\$ equivalent)	Gross value	ECL	Net after ECL
Non-current assets			
Loan to subsidiary	7,751,800	(2,966)	7,748,834
	7,751,800	(2,966)	7,748,834
Current assets			
Cash and cash equivalents	2,647,286	(4)	2,647,282
Due from banks	2,703,771	(613)	2,703,158
Corporation tax	35,260	-	35,260
Trade and other receivables	8,578,832	(1,023)	8,577,809
	13,965,149	(1,640)	13,963,509
Total financial assets	21,716,949	(4,606)	21,712,343
2019 (HK\$ equivalent)	Gross value	ECL	Net after ECL
Non-current assets			
Loan to subsidiary	7,786,600	(936)	7,785,664
	7,786,600	(936)	7,785,664
Current assets			
Cash and cash equivalents	3,124,416	(3)	3,124,413
Due from banks	23,787,758	(1,101)	23,786,657
Corporation tax	60,188	-	60,188
Trade and other receivables	7,945,952	(47)	7,945,905
	34,918,314	(1,151)	34,917,163
Total financial assets	42,704,914	(2,087)	42,702,827

Bank of China International Holdings Limited

Notes to the financial statements

5 Revenue

Revenue comprises: (I) an ECL net release of nil (2019: HK\$3,328); (II) rebate received from our phone company HK\$61,590 (2019: release of an expense accrual made in 2018 HK\$104,681); (III) under IFRS16 (leases) 'rental' income from BOCI UK of HK\$1,224,478 (2019: HK\$1,228,794) and GC UK of HK\$963,045 (2019: HK\$968,504); and (IV) the charge, inclusive of mark-up, of (a) back office support services provided by the Company to BOCI UK (HK\$7,390,313, 2019: HK\$6,492,622) and GC UK (HK\$15,587,279, 2019: HK\$16,223,387) and (b) risk management services to GC US (HK\$349,920, 2019: HK\$316,633).

6 Staff expenses

	2020 HK\$	2019 HK\$
Salaries	13,743,036	13,370,228
Social security costs	1,763,854	1,736,751
Pension costs (see note 24)	927,052	926,984
Other staff costs	856,690	1,104,909
Total	17,290,632	17,138,872

Other staff costs are administered by the HR department and include: medical cover and insurances; canteen subsidy; training; and China related occasion payments made to staff.

	2020	2019
The monthly average number of persons employed during the year were	14	14

7 Other operating expenses

	2020 HK\$	2019 HK\$
Professional services	739,124	1,164,445
Premises	821,973	845,727
Information technology	1,203,403	907,104
Communications	544,644	491,002
ECL impairment charge	2,519	-
Others	61,543	41,627
Total	3,373,206	3,449,905

Bank of China International Holdings Limited

Notes to the financial statements

8 Operating profit

Operating profit is stated after charging	2020 HK\$	2019 HK\$
Depreciation of owned assets*	3,615,331	3,438,284
Auditors' remuneration for the audit of the Company's statutory financial statements	189,981	161,047

* From and including 2019, under IFRS16, the three leases in the Company's name were capitalised and are being depreciated over their useful lives. In the value of this depreciation is HK\$3,214,485 (2019: HK\$3,214,484).

The leases are in the name of the Company but as appropriate are charged to the UK Operating Subsidiaries (from 2019, due to the introduction of IFRS16 this is reflected in Revenue, see note 5). From 2019 onwards this value is a net of depreciation on right of use assets, financing charge thereon and Revenue.

9 Directors' remuneration

	2020 HK\$	2019 HK\$
Aggregate emoluments	2,200,152	2,184,658

Included in the aggregate remuneration are contributions of HK\$139,562 (2019: HK\$138,701) to a money purchase pension scheme. Retirement benefits are accrued to 1 (2019: 1) director under money purchase pension scheme.

The highest paid employee director received HK\$2,200,152 (2019: HK\$2,184,658), including contributions to a money purchase pension scheme of HK\$139,562 (2019: HK\$138,701).

In relation to the time spent on the Company's board meetings the proportionate remuneration of the directors of the Company who were employed and paid by other BOC group companies amounted to HK\$24,291 (2019: HK\$25,176).

10 Interest income

	2020 HK\$	2019 HK\$
Interest income from group companies	442,855	779,164
Interest income from a non-group company	10,551	23,647
Total	453,406	802,811

Bank of China International Holdings Limited

Notes to the financial statements

11 Interest expense

	2020 HK\$	2019 HK\$
Interest expense to group companies	940,197	-
Interest expense to non-group companies	515	-
Interest expense on lease liabilities	227,756	348,107
Total	1,168,468	348,107

12 Taxation/Deferred tax

(a) Taxation	2020 HK\$	2019 HK\$
Current tax:		
Arising on taxable profits for the year	-	126,186
Adjustments in respect of previous year	229,637	(4,346)
Total current tax	229,637	121,840
Deferred tax (see note 12(b)):		
Origination and reversal of temporary differences	122,848	170,818
Adjustments in respect of previous year	(229,637)	35,927
Total deferred tax	(106,789)	206,745
Total tax charge for the year	122,848	328,585

The current rate of corporation tax in the UK is 19% and, as at 31 December 2020, this rate will remain unchanged for the year beginning 1 April 2021. The effective tax rate for the year is (1.7)% (2019: (6.5)%) and the difference as compared to the current rate of corporation tax rate is explained below:

Bank of China International Holdings Limited

Notes to the financial statements

12 Taxation/Deferred tax (continued)

(a) Taxation (continued)

	2020 HK\$	2019 HK\$
Loss before tax	(16,790,827)	(5,468,435)
Corporation tax on loss	(3,190,258)	(1,039,002)
<i>Tax effects of:</i>		
- Expenses not deductible for tax purposes	803	221
- Income not taxable for tax purposes	-	(20,522)
- Adjustments in respect of previous year	-	31,581
- Impairment of subsidiaries (see note 26)	3,316,266	1,362,129
- Foreign exchange differences	(3,963)	(5,822)
Total tax charge for the year	122,848	328,585

	2020 HK\$	2019 HK\$
(b) Deferred tax asset		
At 1 January	-	206,745
Credited/(charged) to statement of comprehensive income	106,789	(206,745)
At 31 December	106,789	-

	2020 HK\$	2019 HK\$
Deferred tax asset consists of		
Trading	61,275	-
Plant and equipment	45,514	-
Total	106,789	-

Deferred tax has been calculated at the rate at which they are expected to unwind.

Deferred tax has now been recognised on temporary differences in relation to taxable trading results and plant and equipment as the Directors have reasonable support that there will be future taxable profits which the deferred tax asset is expected to unwind against.

The budget on 3 March 2021 announced that the UK corporation tax rate will increase from 19% to 25% with effect from 1 April 2023. This change has been enacted as part of the Finance Act 2021 on 10 June 2021. As at 31 December 2020 an increase in the tax rate could increase the deferred tax asset by a maximum of HK\$33,723.

Although not substantively enacted at 31 December 2019 the reduction in the corporation tax rate from 19% to 17% was cancelled as part of the 2020 budget.

Bank of China International Holdings Limited

Notes to the financial statements

13 Plant and equipment

	Computer hardware HK\$	Furniture and fixtures HK\$	Computer software HK\$	Right-of-use Assets HK\$	Total HK\$
Cost					
At 1 January 2020	573,972	772,688	74,318	10,458,973	11,879,951
Additions	71,143	-	69,442	-	140,585
At 31 December 2020	645,115	772,688	143,760	10,458,973	12,020,536
Accumulated depreciation					
At 1 January 2020	168,268	292,550	4,129	3,214,484	3,679,431
Depreciation charge for the year	184,267	168,659	47,920	3,214,485	3,615,331
At 31 December 2020	352,535	461,209	52,049	6,428,969	7,294,762
Net book value					
At 31 December 2020	292,580	311,479	91,711	4,030,004	4,725,774
	Computer hardware HK\$	Furniture and fixtures HK\$	Computer software HK\$	Right-of-use Assets HK\$	Total HK\$
Cost					
At 31 December 2018	182,935	666,780	-	-	849,715
Adjustment to opening balance	-	-	-	10,458,973	10,458,973
At 1 January 2019	182,935	666,780	-	10,458,973	11,308,688
Additions	391,037	105,908	74,318	-	571,263
At 31 December 2019	573,972	772,688	74,318	10,458,973	11,879,951
Accumulated depreciation					
At 1 January 2019	85,565	155,582	-	-	241,147
Depreciation charge for the year	82,703	136,968	4,129	3,214,484	3,438,284
At 31 December 2019	168,268	292,550	4,129	3,214,484	3,679,431
Net book value					
At 31 December 2019	405,704	480,138	70,189	7,244,489	8,200,520

Bank of China International Holdings Limited

Notes to the financial statements

14 Investment in subsidiaries

	2020 HK\$	2019 HK\$
As at 1 January	222,484,347	229,653,447
Additional capital contribution to a subsidiary	108,521,000	-
Write back of impairment of a subsidiary (see note 26)	-	8,826,050
Impairment of subsidiary (see note 26)	(17,454,029)	(15,995,150)
As at 31 December	313,551,318	222,484,347

The following is a list of direct and indirect subsidiaries as at 31 December 2020.

Name	Place of incorporation	Principal activities	Particulars of issued shares	Interest held
Bank of China International (UK) Limited	United Kingdom	Securities dealing and brokerage	HK\$25,000,000	¹ 100%
Registered office: 1 Lothbury, London, EC2R 7DB				
BOC International (USA) Holdings Inc.	United States of America	Investment holding company	US\$24,000,000 (HK\$186,329,360 eqv)	¹ 100%
Registered office: 1201 Orange St., Ste 600 One Commerce Center, Wilmington, DE 19899				
BOC International (USA) Inc.	United States of America	Securities dealing and brokerage	US\$8,500,000 (HK\$66,094,310 eqv)	100%
Registered office: 1201 Orange St., Ste 600 One Commerce Center, Wilmington, DE 19899				
BOCI Commodities & Futures (USA) LLC	United States of America	Commodities dealing and brokerage	US\$15,000,000 (HK\$116,250,000 eqv)	100%
Registered office: 160 Greentree Drive, Suite 101, Dover, Delaware 19904				
BOCI Global Commodities (UK) Limited	United Kingdom	Commodities dealing and brokerage	US\$45,000,000 (HK\$349,259,100 eqv)	¹ 100%
Registered office: 1 Lothbury, London, EC2R 7DB				

¹ Shares held directly by the Company.

Bank of China International Holdings Limited

Notes to the financial statements

15 Loan to subsidiary

On 22 August 2016 the Company granted a USD1,000,000 subordinated loan to its indirectly wholly owned subsidiary BOCI US. The terms are as follows: original scheduled maturity 22 August 2020; can be extended; current interest rate 2.50% p.a.; and interest payable every six months. The loan has been extended until 22 August 2022. The allowance for ECL impairment losses on the above is HK\$2,966 (2019: HK\$936).

16 Cash and cash equivalents

	2020 HK\$	2019 HK\$
Cash at bank and in hand with a non-group company	2,647,286	3,124,416
Less allowance for ECL impairment losses	(4)	(3)
Total	2,647,282	3,124,413

17 Due from banks

	2020 HK\$	2019 HK\$
Placement with a group company	2,703,771	23,787,758
Less allowance for ECL impairment losses	(613)	(1,101)
Total	2,703,158	23,786,657

18 Trade and other receivables

	2020 HK\$	2019 HK\$
Non trade debtor – group companies *	6,222,535	5,667,339
Non trade debtor – non-group company	1,654,968	888,779
Prepayments	701,046	1,055,040
Interest receivable – group companies	283	334,794
Less allowance for ECL impairment losses	(1,023)	(47)
Total	8,577,809	7,945,905

The fair value of the assets is not materially different from the carrying value.

* The remaining comprises from BOCI UK of HK\$2,427,067, GC UK of HK\$3,724,410, and BOCI US of HK\$71,058 (2019: BOCI UK of HK\$2,153,493, GC UK of HK\$3,425,562, and BOCI US of HK\$88,284). The ECL allowance for impairment losses on these items total HK\$1,021 (2019: HK\$30).

Bank of China International Holdings Limited

Notes to the financial statements

19 Trade and other payables

	2020 HK\$	2019 HK\$
Accruals (including bonuses for management and staff)	4,438,464	4,099,815
Long-term lease liabilities *	4,184,633	7,381,978
Other payables – due to a group company	247,214	124,293
Other payables – due to a non-group company	61,681	797,990
Payable to UK Inland Revenue	970,988	1,472,039
Total	9,902,980	13,876,115

* Note, other than an immaterial amount for two photocopiers, the lease is with Bank of China Limited, London Branch and is for office rental including the space utilised by the Company and its two UK subsidiaries.

20 Loan from parent

In March 2020 the Company subscribed for 14,000,000 additional shares in its subsidiary GC UK at a cost of US\$14,000,000. The Company initially borrowed US\$14,000,000 but during the year made two repayments. The balance at the end of the year was US\$11,300,000 (HK\$87,595,340) at an interest rate of 0.8% and a maturity date of 26 February 2021 since rolled at the same value to a maturity date of 26 August 2021 again at an interest rate of 0.8%.

21 Share capital

	2020 HK\$	2019 HK\$
Authorised		
800,000,000 (2019: 800,000,000) ordinary shares of HK\$1 (2019: HK\$1 each)	800,000,000	800,000,000
Allotted and fully paid		
340,000,000 (2019: 340,000,000) ordinary shares of HK\$1 (2019: HK\$1 each)	340,000,000	340,000,000

All shares are of the same class, ordinary, and carry equal rights and there are no restrictions on dividends.

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Notes to the financial statements

22 Cash generated in operations

Reconciliation of loss before taxation to net cash generated in operations	2020 HK\$	2019 HK\$
Loss before taxation	(16,790,827)	(5,468,435)
Adjustments for:		
- Impairment (see note 26)	17,454,029	7,169,100
- Depreciation	3,615,331	3,438,284
- Interest income	(453,406)	(802,810)
- Interest expense	1,168,468	348,107
- Decrease/(increase) in due from banks	21,083,499	(5,434,657)
- (Increase)/decrease in trade and other receivables	(719,903)	3,891,069
- (Decrease)/increase in trade and other payables	(1,023,005)	1,736,222
- Corporation tax paid	(206,935)	(502,505)
Cash generated in operations	24,127,251	4,374,375

23 Commitments

As of 1 April 2017 a commitment was made by the Company to rent office space from Bank of China Limited ("BOC") and this commitment will expire on 31 March 2022. The Company has no concerns in relation to a renegotiation process to extend the term of the lease with BOC. BOC has not raised points in relation to the lease that would cause the Company any concerns and the renegotiation is scheduled to commence soon. Previous extensions of the lease and securing additional space from BOC has never been an issue and the management and directors do not anticipate anything to the contrary for the renewal of this lease.

As of 1 April 2017 and 15 August 2017 commitments were made to lease photocopiers and they will respectively expire on 31 March 2022 and 14 August 2022. Other than own use of office space, the costs are on-charged to the two UK Operating Subsidiaries. There are no other commitments.

24 Pension costs

During the year the Company operated a money purchase pension scheme with defined contributions covering all of its employees. Contributions to the scheme are independently administered by insurance companies. The pension cost of HK\$927,052 (2019: HK\$926,984) represents the regular contributions paid by the Company and none are outstanding at the year end. However, included within salaries (note 6) and outstanding at the year-end are amounts that have been sacrificed from the staff members' bonuses and remitted to the staff as additional pension contributions HK\$939,230 (2019: HK\$795,790).

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Notes to the financial statements

25 Related-party transactions

The compensation of key management of the Company is treated as a related party transaction and is shown immediately below.

	2020 HK\$	2019 HK\$
Short term employee benefits (wages, salaries and other staff costs)	2,060,590	2,045,957
Post employment benefits (pension)	139,562	138,701
	2,200,152	2,184,658

The following transactions were carried out with related parties and all were at arms-length.

Category	2020 HK\$	2019 HK\$	Corresponding Entity
Interest income	215,756	464,807	Bank of China International Limited
	227,099	245,703	BOC International (USA) Inc.
	-	68,654	BOC International (USA) Holdings Inc.
Interest expense	940,197	-	BOC International Holdings Limited
Other income	***8,614,791	***7,721,416	Bank of China International (UK) Limited
	***16,550,324	***17,191,891	BOCI Global Commodities (UK) Limited
	349,920	316,633	BOCI Commodities & Futures (USA) LLC
Staff expenses	41,890	194,552	Bank of China Limited, London Branch
Occupancy costs	778,611	1,992,389	Bank of China Limited, London Branch
Bank charges	-	238	Bank of China Limited, New York Branch
Other costs	-	1,164	Bank of China Limited, London Branch
Cash and cash equivalents and due from banks *****	2,703,771	23,787,758	Bank of China International Limited
Loan to subsidiary ****	7,751,800	7,786,600	BOC International (USA) Inc.
Trade and other receivables **	283	334,794	Bank of China International Limited
	3,724,410	3,425,562	BOCI Global Commodities (UK) Limited
	71,058	88,284	BOC International (USA) Inc.
	2,427,067	2,153,493	Bank of China International (UK) Limited
Trade and other payables	-	124,293	Bank of China International (UK) Limited
	*247,214	-	BOC International Holdings Limited
Loan from parent	*87,595,340	-	BOC International Holdings Limited

Note: the above exclude any ECL impairment adjustments and *** Includes the on-charged costs of office and photocopier rent. For ***** see notes 16 and 17; for **** see note 15; and for ** see note 18. * This is a loan and related interest, see note 19 and 20. During March 2020 the Company made a capital injection into GC UK of US\$14,000,000 (HKD108,521,000), see note 14.

Bank of China International Holdings Limited

Notes to the financial statements

26 Impairment of investment in subsidiaries

For the 2020 financial statements management decided to make a provision for the impairment of the investment amount of a total of HK\$17,454,029 (comprised GC US HK\$7,747,616 and Holdings US HK\$9,706,413) (2019 impairment of the investment amount of net HK\$7,169,100 (comprised GC US HK\$15,995,150 and write back of impairment of BOCI UK of HK\$8,826,050)). The impairment amounts were derived by comparing the recoverable amount against the investment cost. GC US is an indirect subsidiary of the Company. For GC US the impairment represented an impairment to zero due to the ceasing of the business and for Holdings US an impairment of the majority of the net asset value due to the curtailment of the business and the consequent booking of costs thereon.

The operations of the US sub-group are being curtailed, please see the section "Review of business and future development" within the Directors report (page 2).

27 Country-by-country reporting

The below table fulfils the Company's requirements with the Regulations of Article 89 of the Capital Requirements Directive IV (CRD IV) country-by-country reporting (CBCR).

2020					Average full time equivalent staff including temporary staff
Country	Income HK\$	Loss before tax HK\$	Tax paid / (received) HK\$	Subsidy received HK\$	FTE
UK	25,576,625	(16,790,827)	206,935	-	14
Total	25,576,625	(16,790,827)	209,935	-	14

2019					Average full time equivalent staff including temporary staff
Country	Income HK\$	Loss before tax HK\$	Tax paid / (received) HK\$	Subsidy received HK\$	FTE
UK	25,337,949	(5,468,435)	502,505	-	14
Total	25,337,949	(5,468,435)	502,505	-	14

The Company acts as an investment holding company for its wholly owned direct and indirect subsidiaries and is the back office service provider for its UK Operating Subsidiaries.

28 Ultimate parent company

The immediate parent company is BOC International Holdings Limited (a company incorporated in Hong Kong) whose parent company is Bank of China Limited (a company incorporated in China). The parent company of Bank of China Limited is Huijin a wholly owned subsidiary of CIC. Both Huijin and CIC are companies incorporated in China.

The ultimate parent undertaking and controlling party is CIC.

The largest and smallest group which includes the Company, and which prepares publicly available consolidated financial statements is Bank of China Limited. Copies of its consolidated financial statements are publicly available from the Head Office of Bank of China Limited, 1 Fuxingmen Nei Dajie, Beijing, People's Republic of China, 100818.

29 Subsequent events

Effective from 1 January 2021 the activities of (a) GC US ceased, (b) BOCI US reduced, and (c) Holdings US dramatically reduced and it is anticipated that the existing level of financial impairment of these companies by the Company will be sufficient.