

**BANK OF CHINA (MALAYSIA) BERHAD (511251-V)**  
**(Incorporated in Malaysia)**

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016**

	Note	Group		Bank	
		30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>					
Cash and short-term funds	9	2,711,050	1,951,246	2,708,528	1,948,595
Deposits and placements with banks and other financial institutions	10	905,191	1,162,832	905,191	1,162,832
Derivative assets	11	4,918	2,273	4,918	2,273
Held-to-maturity securities	12	389,532	429,633	389,532	429,633
Loans and advances	13	4,858,662	4,722,114	4,858,662	4,722,114
Other assets	14	9,198	9,095	8,653	8,467
Deferred tax assets		2,767	2,866	2,741	2,783
Statutory deposits with Bank Negara Malaysia		104,000	128,200	104,000	128,200
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		42,263	43,565	40,298	41,266
Intangible assets		126	172	126	172
<b>TOTAL ASSETS</b>		<b>9,027,707</b>	<b>8,451,996</b>	<b>9,023,649</b>	<b>8,447,335</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	15	6,192,197	6,059,685	6,196,060	6,069,902
Deposits and placements of banks and other financial institutions	16	1,382,675	1,006,020	1,382,675	1,006,020
Derivative liabilities	11	8,828	958	8,828	958
Other liabilities	17	199,094	202,682	197,476	200,551
Provision for taxation		9,635	835	8,811	11
<b>TOTAL LIABILITIES</b>		<b>7,792,429</b>	<b>7,270,180</b>	<b>7,793,850</b>	<b>7,277,442</b>
Share capital		760,518	760,518	760,518	760,518
Reserves		474,759	421,298	469,280	409,375
<b>TOTAL EQUITY</b>		<b>1,235,277</b>	<b>1,181,816</b>	<b>1,229,798</b>	<b>1,169,893</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,027,706</b>	<b>8,451,996</b>	<b>9,023,648</b>	<b>8,447,335</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	24	<b>4,524,932</b>	3,326,841	<b>4,524,932</b>	3,326,841

*The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2015*

**BANK OF CHINA (MALAYSIA) BERHAD (511251-V)**  
**(Incorporated in Malaysia)**

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Note	2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
Interest income	18	91,671	87,425	181,689	186,285
Interest expense	19	(48,652)	(50,209)	(98,636)	(107,850)
Net interest income		43,019	37,216	83,053	78,435
Other operating income	20	19,973	14,461	50,017	25,211
Other operating expenses	21	(27,581)	(21,529)	(51,393)	(44,491)
Operating profit		35,411	30,148	81,677	59,155
Allowance made for impairment on loans and advances	22	(562)	(5,085)	(4,599)	(5,088)
Profit before taxation		34,849	25,063	77,078	54,067
Taxation		(6,492)	(13,442)	(23,617)	(19,573)
Total comprehensive income for the period		28,357	11,621	53,461	34,494

	Note	2nd Quarter Ended		Six Months Ended	
		30 June	30 June	30 June	30 June
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
		RM'000	RM'000	RM'000	RM'000
<b>Bank</b>					
Interest income	18	91,671	87,425	181,689	186,285
Interest expense	19	(48,652)	(50,209)	(98,636)	(107,850)
Net interest income		43,019	37,216	83,053	78,435
Other operating income	20	26,741	21,955	51,824	28,121
Other operating expenses	21	(26,027)	(20,215)	(48,463)	(41,834)
Operating profit		43,733	38,956	86,414	64,722
Allowance made for impairment on loans and advances	22	(562)	(5,085)	(4,599)	(5,088)
Profit before taxation		43,171	33,871	81,815	59,634
Taxation		(5,610)	(12,447)	(21,910)	(17,753)
Total comprehensive income for the period		37,561	21,424	59,905	41,881

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**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Share capital RM'000	← Non-distributable →		Distributable retained profits RM'000	Total RM'000
		Statutory reserves RM'000	Regulatory reserves RM'000		
<b>Group</b>					
Balance as at 1 January 2016	760,518	223,231	22,671	175,396	1,181,816
Total comprehensive income for the period	-	-	-	53,461	53,461
Transfer to regulatory reserve	-	-	2,976	(2,976)	-
<b>At 30 June 2016</b>	<b>760,518</b>	<b>223,231</b>	<b>25,647</b>	<b>225,881</b>	<b>1,235,277</b>
Balance as at 1 January 2015	760,518	171,605	-	147,077	1,079,200
Total comprehensive income for the period	-	-	-	34,494	34,494
Transfer to regulatory reserve	-	-	18,049	(18,049)	-
At 30 June 2015	760,518	171,605	18,049	163,522	1,113,694
<b>Bank</b>					
Balance as at 1 January 2016	760,518	223,231	22,671	163,473	1,169,893
Total comprehensive income for the period	-	-	-	59,905	59,905
Transfer to regulatory reserve	-	-	2,976	(2,976)	-
<b>At 30 June 2016</b>	<b>760,518</b>	<b>223,231</b>	<b>25,647</b>	<b>220,402</b>	<b>1,229,798</b>
Balance as at 1 January 2015	760,518	171,605	-	134,518	1,066,641
Total comprehensive income for the period	-	-	-	41,881	41,881
Transfer to regulatory reserve	-	-	18,049	(18,049)	-
At 30 June 2015	760,518	171,605	18,049	158,350	1,108,522

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**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	Group		Bank	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Note				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before taxation	<b>77,078</b>	54,067	<b>81,815</b>	59,634
<i>Adjustment for:</i>				
Depreciation of property and equipment	<b>2,311</b>	1,660	<b>1,968</b>	1,313
Amortisation of intangible assets	<b>46</b>	46	<b>46</b>	46
(Accretion of discount)/ amortisation of premium, net	<b>(34)</b>	200	<b>(34)</b>	200
Allowance for losses on loans and advances	<b>4,599</b>	5,088	<b>4,599</b>	5,088
Interest income from held-to-maturity securities	<b>(6,872)</b>	(9,356)	<b>(6,872)</b>	(9,356)
Unrealised foreign exchange loss/(gain)	<b>9</b>	(959)	<b>9</b>	(959)
Net loss on revaluation of derivative	<b>5,225</b>	718	<b>5,225</b>	718
Net gain on disposal of property and equipment	<b>(1)</b>	-	<b>-</b>	-
Property and equipment written off	-	138	-	138
Dividend Income	-	-	<b>(11,900)</b>	(12,500)
Operating profit before changes in operating activities	<b>82,361</b>	51,602	<b>74,856</b>	44,322
<b>DECREASE/(INCREASE) IN OPERATING ASSETS</b>				
Deposits and placements with banks and other financial institutions	<b>257,641</b>	(1,005,660)	<b>257,641</b>	(1,005,660)
Loans and advances	<b>(141,147)</b>	88,212	<b>(141,147)</b>	88,212
Other assets	<b>(112)</b>	1,604	<b>(195)</b>	1,524
Statutory deposits with Bank Negara Malaysia	<b>24,200</b>	(50,800)	<b>24,200</b>	(50,800)
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>				
Deposits from customers	<b>132,512</b>	687,839	<b>126,158</b>	683,284
Deposits and placements of banks and other financial institutions	<b>376,655</b>	(1,119,863)	<b>376,655</b>	(1,119,863)
Other liabilities	<b>(3,588)</b>	(12,053)	<b>(3,075)</b>	(12,402)
Cash used in operating activities	<b>728,522</b>	(1,359,119)	<b>715,093</b>	(1,371,383)
Taxation paid	<b>(14,718)</b>	(22,094)	<b>(13,068)</b>	(20,444)
Net cash generated from/used in operating activities	<b>713,804</b>	(1,381,213)	<b>702,025</b>	(1,391,827)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016</b>	<b>30 June 2015</b>	<b>30 June 2016</b>	<b>30 June 2015</b>
Note	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	<b>(1,009)</b>	(19,955)	<b>(1,000)</b>	(19,993)
Proceeds from disposal of property and equipment	<b>1</b>	-	<b>-</b>	-
Purchases of held-to-maturity securities	<b>(110,000)</b>	(412,735)	<b>(110,000)</b>	(412,735)
Proceeds from maturity of held-to-maturity securities	<b>150,000</b>	331,020	<b>150,000</b>	331,020
Interest received on held-to-maturity securities	<b>7,007</b>	8,337	<b>7,007</b>	8,337
Dividend income received from subsidiary			<b>11,900</b>	12,500
Net cash generated from/used in investing activities	<b>45,999</b>	(93,333)	<b>57,907</b>	(80,871)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>				
	<b>759,803</b>	(1,474,546)	<b>759,932</b>	(1,472,698)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>				
	<b>1,951,246</b>	3,609,580	<b>1,948,595</b>	3,605,813
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>				
9	<b>2,711,049</b>	2,135,034	<b>2,708,527</b>	2,133,115

**BANK OF CHINA (MALAYSIA) BERHAD (511251-V)**  
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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**1 Review of Performance and Commentary of Prospects**

For the six months ended 30 June 2016, the Bank recorded profit before taxation of RM81.8 million, registering an increase of RM22.2 million or 37% compared to the corresponding period of 2015. The higher profit was mainly due to increase in the other operating income by RM23.7 million or 84% to RM51.8 million.

The group's total assets improved by RM575.7 million to RM9.0 billion as at 30 June 2016. The increase in total assets was mainly due to higher cash and cash equivalents. Loans and advances grew by RM136.5 million to RM4.8 billion. Customer deposits registered a moderate growth rate of 2% to RM6.2 billion.

The performance of the global economy is expected to remain volatile following increased concerns over economic slowdown in China and the possible repercussions from the European Union referendum in the United Kingdom. In Malaysia, the economy fundamental remain stable, investment spending will continue to support economic growth overall investment is expected to be supported by the on-going implementation of infrastructure projects.

The Bank will continue to focus on both Corporate Financing business and Personal Financing business as its core and supporting business, leveraging on the advantages of the Group international network and diversification businesses, which enables to promote "Domestic and International Integration" of its business operation, and at the same time developing long-term relationship with government and private sectors and bodies, focuses on Malaysia leading industries and enterprises as target market segment.

**2 Group Accounting Policies**

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2015.

The accounting policies adopted by the Bank for the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2015.

Since the previous annual audited financial statements as at 31 December 2015 were issued, the Group and the Bank has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2016.

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**2 Group Accounting Policies (Continued)**

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2016:

- Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants
- Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
  
- Amendments to MFRS 127: Equity Method in Separate Financial Statements
- Amendments to MFRS 101: Disclosure Initiatives
- Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
- MFRS 14 Regulatory Deferral Accounts
- MFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- MFRS 7 Financial Instruments: Disclosures
- MFRS 119 Employee Benefits
- MFRS 134 Interim Financial Reporting

Standards issued but not yet effective

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2018:

- MFRS 9 Financial Instruments
- MFRS 15 Revenue from Contracts with Customers

MFRS 9 Financial Instrument

In November 2014, MASB issued the final version of MFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous versions of MFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but should have no impact on the classification and measurement of the Group's financial liabilities. Impairment allowances of the Group and the Bank will be affected with the adoption of expected loss model under MFRS 9. The Group is currently assessing the impact of MFRS 9 and plans to adopt the new standard on the required effective date.

The above standards, amendments to published standards and interpretations to existing standards are not anticipated to have any significant impact on the financial statements of the Group and of the Bank in the year of initial application.

**3 Audit Report**

The audit report for the financial year ended 31 December 2015 was not subject to any qualification.

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**4 Seasonal or Cyclical Factors**

The business operations of the Bank have not been affected by any material seasonal cyclical factors.

**5 Exceptional or Extraordinary Items**

There were no exceptional or extraordinary items in the six months ended 30 June 2016.

**6 Changes in Estimates**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the six months ended 30 June 2016.

**7 Changes in Debt and Equity Securities**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

**8 Dividend paid**

No dividend was paid during the six months ended 30 June 2016.

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**9 Cash and short-term funds**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Cash and balances with banks and other financial institutions	<b>275,988</b>	572,282	<b>273,466</b>	569,631
Money at call and deposit placements maturing within 1 month	<b>2,435,062</b>	1,378,964	<b>2,435,062</b>	1,378,964
	<b><u>2,711,050</u></b>	<u>1,951,246</u>	<b><u>2,708,528</u></b>	<u>1,948,595</u>

**10 Deposits and placements with banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Bank Negara Malaysia	<b>200,445</b>	-
Licensed banks	<b>704,746</b>	1,162,832
	<b><u>905,191</u></b>	<u>1,162,832</u>

**11 Derivative Assets/(Liabilities)**

	<b>Group and Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Derivative assets	<b>4,918</b>	2,273
Derivative liabilities	<b>(8,828)</b>	(958)
	<b><u>(3,910)</u></b>	<u>1,315</u>

**12 Held-to-maturity securities**

	<b>Group and Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>At amortised cost</b>		
Money market instrument:		
Malaysian Government Securities	<b>389,532</b>	389,529
Negotiable instruments of deposits	-	40,104
	<b><u>389,532</u></b>	<u>429,633</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**13 Loans and advances**

**At amortised cost**

**(i) By type**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	770,452	783,669
Terms loans		
- Housing loans	279,390	269,734
- Syndicated term loans	441,408	404,537
- Other term loans	1,648,912	1,672,155
Bills receivables	117,416	295,094
Trust receipts	31,965	27,871
Claims on customers under acceptance credits	324,865	350,990
Revolving credits	1,287,749	958,172
Credit card receivables	16	45
Staff loans	2,932	2,007
Gross loans and advances	<u>4,905,105</u>	<u>4,764,274</u>
Less: Allowance for impaired loans and advances		
- Individual assessment allowance	(13,389)	(7,753)
- Collective assessment allowance	(33,054)	(34,407)
Total net loans and advances	<u><u>4,858,662</u></u>	<u><u>4,722,114</u></u>

**(ii) By geographical distribution**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	4,653,749	4,366,883
Other countries	251,356	397,391
Gross loans and advances	<u>4,905,105</u>	<u>4,764,274</u>

**(iii) By interest rate sensitivity**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Other fixed rate loan	393,580	626,992
Variable rate		
- Base Rate/Base Lending Rate plus	2,547,325	2,576,121
- Cost plus	1,901,856	1,493,810
- Other variable rates	62,343	67,351
Gross loans and advances	<u>4,905,104</u>	<u>4,764,274</u>

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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**13 Loans and advances (continued)**

**(iv) By purpose**

	<b>Group and Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Purchase of securities	35,381	50,971
Purchase of transport vehicles	5,525	5,894
Purchase of landed property :	1,226,201	1,209,116
- Residential	294,891	284,130
- Non-residential	931,310	924,986
Purchase of fixed assets other than land and building	5,339	6,381
Personal use	334,108	339,168
Credit card	16	45
Construction	255,721	226,647
Mergers and Acquisition	342,175	-
Working capital	2,677,637	2,898,626
Other purpose	23,001	27,426
<b>Gross loans and advances</b>	<b>4,905,104</b>	<b>4,764,274</b>

**(v) By residual contractual maturity**

	<b>Group and Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Up to one month	1,390,503	1,613,308
More than one month to three Months	891,927	419,298
More than three months to six months	373,895	384,050
More than six months to twelve months	193,864	73,018
More than twelve months	2,054,915	2,274,600
<b>Gross loans and advances</b>	<b>4,905,104</b>	<b>4,764,274</b>

The loans and advances were based on the remaining length of time that will be carried and from the report date to the expiry date of the contract created.

**(vi) Impaired loans and advances**

**(a) Movements in impaired loans and advances**

	<b>Group and Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
At beginning of financial period/year	43,412	16,965
Classified as impaired during the period/year	67,509	38,104
Reclassified as performing during the period/year	-	(3,413)
Amount recovered	(5,515)	(8,244)
At end of financial period/year	105,406	43,412
Individual assessment allowance	(13,389)	(7,753)
<b>Net impaired loans and advances</b>	<b>92,017</b>	<b>35,659</b>

Ratio of net impaired loans and advances to gross loans and advances less allowance for impairment	1.881%	0.750%
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**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**13 Loans and advances (continued)**

**(vi) Impaired loans and advances (continued)**

**(b) By geographical**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>105,406</b>	<b>43,412</b>

**(c) By purposes**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of landed property - residential	<b>754</b>	<b>3,614</b>
Purchase of landed property - non-residential	<b>18,086</b>	<b>19,762</b>
Construction	<b>66,020</b>	<b>-</b>
Personal use	<b>1,817</b>	<b>1,842</b>
Working capital	<b>18,729</b>	<b>18,194</b>
	<b>105,406</b>	<b>43,412</b>

**(vii) Allowance for impairment on loans and advances**  
**Movements in allowance for impairment for loans and advances**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b><u>Individual assessment allowance</u></b>		
At beginning of the financial period/year	<b>7,753</b>	<b>899</b>
Allowance made during the financial period/year	<b>7,087</b>	<b>7,090</b>
Allowance written back during the financial period/year	<b>(1,451)</b>	<b>(236)</b>
At end of the financial period/year	<b>13,389</b>	<b>7,753</b>
<b><u>Collective assessment allowance</u></b>		
At beginning of the financial period/year	<b>34,407</b>	<b>26,962</b>
(Written-back)/allowance made during the financial period/year	<b>(1,037)</b>	<b>5,925</b>
Exchange differences	<b>(316)</b>	<b>1,520</b>
At end of the financial period/year	<b>33,054</b>	<b>34,407</b>

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**14 Other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables	4,986	5,566	4,840	5,332
Sundry deposits	2,592	2,485	2,198	2,091
Prepayment	1,107	495	1,102	495
Precious metal inventory	513	549	513	549
	<b>9,198</b>	<b>9,095</b>	<b>8,653</b>	<b>8,467</b>

**15 Deposits from customers**

**(i) By type of deposits**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	1,081,275	859,948	1,085,138	870,165
Savings deposits	154,112	127,337	154,112	127,337
Fixed deposits	4,555,078	4,921,562	4,555,078	4,921,562
Negotiable instruments of deposits	401,732	150,838	401,732	150,838
	<b>6,192,197</b>	<b>6,059,685</b>	<b>6,196,060</b>	<b>6,069,902</b>

**(ii) Maturity structure of fixed deposits and negotiable instruments of deposits are as follows:**

	<b>Group and Bank</b>	
	<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	3,980,138	4,398,672
Six months to one year	960,980	667,976
More than one year	15,692	5,752
	<b>4,956,810</b>	<b>5,072,400</b>

**(iii) By type of customer**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016</b>	<b>31 December 2015</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	5,067	5,130	5,067	5,130
Business enterprises	2,247,030	2,176,056	2,250,893	2,186,273
Individuals	1,828,665	1,820,064	1,828,665	1,820,064
Others	2,111,435	2,058,435	2,111,435	2,058,435
	<b>6,192,197</b>	<b>6,059,685</b>	<b>6,196,060</b>	<b>6,069,902</b>

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**16 Deposits and placements of banks and other financial institutions**

	<b>Group and Bank</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	<b>52,462</b>	54,554
Licensed banks	<b>1,329,858</b>	951,102
Licensed investment banks	<b>199</b>	256
Licensed islamic banks	<b>156</b>	105
Other financial institutions	<b>-</b>	3
	<b><u>1,382,675</u></b>	<b><u>1,006,020</u></b>

**17 Other liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Accrued expenses	<b>19,054</b>	23,578	<b>18,622</b>	22,882
Margin deposits	<b>138,351</b>	55,978	<b>138,351</b>	55,978
Other liabilities	<b>41,689</b>	123,126	<b>40,503</b>	121,691
	<b><u>199,094</u></b>	<b><u>202,682</u></b>	<b><u>197,476</u></b>	<b><u>200,551</u></b>

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**18 Interest income**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Loans and advances				
- Interest income on non-impaired loans	<b>65,041</b>	61,924	<b>129,285</b>	122,310
- Interest income on impaired loans	<b>875</b>	335	<b>1,689</b>	704
Money at call and deposit placement with financial institutions	<b>22,486</b>	20,040	<b>43,809</b>	54,115
Securities				
- Held-to-maturity investments	<b>3,250</b>	5,246	<b>6,872</b>	9,356
	<b>91,652</b>	87,545	<b>181,655</b>	186,485
Accretion of discount/ (amortisation of premium), net	<b>19</b>	(120)	<b>34</b>	(200)
Total interest income	<b>91,671</b>	87,425	<b>181,689</b>	186,285

**19 Interest Expense**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits and placements of banks and other financial institutions	<b>8,620</b>	13,098	<b>20,943</b>	35,344
Deposits from customers	<b>40,001</b>	37,096	<b>77,643</b>	72,481
Others	<b>31</b>	15	<b>50</b>	25
	<b>48,652</b>	50,209	<b>98,636</b>	107,850

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**20 Other operating income**

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Fees income:				
- Fee on loans and advances	3,996	2,969	8,437	5,959
- Service charges and fees	9,091	8,636	17,895	16,386
- Guarantee fees	4,680	2,104	8,198	4,989
	<u>17,767</u>	<u>13,709</u>	<u>34,530</u>	<u>27,334</u>
Fees income:				
- Commission related expenses	(2,815)	(2,723)	(5,544)	(5,217)
Net fee income	<u>14,952</u>	<u>10,986</u>	<u>28,986</u>	<u>22,117</u>
Foreign exchange income:				
- Realised	(29,354)	(3,065)	24,945	30
- Unrealised	258	622	(9)	959
Gain/(loss) on revaluation of derivatives	33,576	5,065	(5,225)	(718)
Sale of precious metal	541	853	1,258	2,823
Other income	-	-	62	-
Net gain on disposal of property and equipment	1	-	1	-
	<u>19,973</u>	<u>14,461</u>	<u>50,017</u>	<u>25,211</u>

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Fees income:				
- Fee on loans and advances	3,996	2,969	8,437	5,959
- Service charges and fees	1,104	897	2,164	1,539
- Guarantee fees	4,680	2,104	8,198	4,989
	<u>9,780</u>	<u>5,970</u>	<u>18,799</u>	<u>12,487</u>
Foreign exchange income:				
- Realised	(29,354)	(3,065)	24,945	30
- Unrealised	258	622	(9)	959
Gain/(loss) on revaluation of derivatives	33,576	5,065	(5,225)	(718)
Sale of precious metal	541	853	1,258	2,823
Other income:				
- Dividend income from subsidiary	11,900	12,500	11,900	12,500
- Other income	40	10	156	40
	<u>26,741</u>	<u>21,955</u>	<u>51,824</u>	<u>28,121</u>

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**21 Other operating expenses**

	2nd Quarter Ended		Six Months Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>Group</b>				
<u>Personnel expenses</u>				
Salaries & wages	9,469	7,837	18,954	15,765
Bonuses	7,034	2,956	11,068	7,253
Defined contribution plan ("EPF")	1,847	1,354	3,344	2,764
Staff welfare expenses	683	460	1,238	835
Other personnel costs	824	1,470	1,623	1,962
	<b>19,857</b>	<b>14,077</b>	<b>36,227</b>	<b>28,579</b>
<u>Marketing expenses</u>				
Entertainment	246	312	642	848
Other marketing	161	570	576	885
	<b>407</b>	<b>882</b>	<b>1,218</b>	<b>1,733</b>
<u>Establishment costs</u>				
Rental of premises	1,900	1,596	3,891	3,281
Depreciation	1,145	941	2,311	1,660
Amortisation	23	23	46	46
Repairs and maintenance	242	71	371	205
Property and equipment written off	-	-	-	138
Information technology expenses	562	343	1,405	899
Other establishment costs	145	58	240	112
	<b>4,017</b>	<b>3,032</b>	<b>8,264</b>	<b>6,341</b>
<u>Administration and general expenses</u>				
Insurance premium	656	540	679	576
Auditors' remuneration				
- statutory audit fees	19	45	79	100
- regulatory related service	23	24	48	44
Travelling and accommodation	728	583	1,227	949
Telecommunication and utilities	270	217	501	452
Printing, stationery and postage	140	128	308	276
Legal and professional fees	472	119	672	1,110
Other administration and general expenses	521	1,152	1,104	1,948
	<b>2,829</b>	<b>2,808</b>	<b>4,618</b>	<b>5,455</b>
<u>Other expenses</u>				
Cost of precious metal	471	730	1,066	2,383
	<b>471</b>	<b>730</b>	<b>1,066</b>	<b>2,383</b>
	<b>27,581</b>	<b>21,529</b>	<b>51,393</b>	<b>44,491</b>

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**21 Other operating expenses (continued)**

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
<u>Personnel expenses</u>				
Salaries & wages	8,940	7,382	17,956	14,877
Bonuses	6,909	2,818	10,818	6,982
Defined contribution plan ("EPF")	1,780	1,283	3,209	2,629
Staff welfare expenses	604	426	1,118	743
Other personnel costs	788	1,446	1,571	1,918
	<u>19,021</u>	<u>13,355</u>	<u>34,672</u>	<u>27,149</u>
<u>Marketing expenses</u>				
Entertainment	241	312	633	848
Other marketing	161	570	576	885
	<u>402</u>	<u>882</u>	<u>1,209</u>	<u>1,733</u>
<u>Establishment costs</u>				
Rental of premises	1,562	1,257	3,215	2,597
Depreciation	973	768	1,968	1,313
Amortisation	23	22	46	46
Repairs and maintenance	242	72	369	205
Property and equipment written off	-	-	-	138
Information technology expenses	558	344	1,400	898
Other establishment costs	143	57	226	108
	<u>3,501</u>	<u>2,520</u>	<u>7,224</u>	<u>5,305</u>
<u>Administration and general expenses</u>				
Insurance premium	651	540	674	571
Auditors' remuneration				
- statutory audit fees	14	45	61	91
- regulatory related service	22	24	43	42
Travelling and accommodation	721	582	1,207	946
Telecommunication and utilities	236	200	441	416
Printing, stationery and postage	102	100	241	226
Legal and professional fees	472	118	672	1,108
Other administration and general expenses	414	1,119	953	1,864
	<u>2,632</u>	<u>2,728</u>	<u>4,292</u>	<u>5,264</u>
<u>Other expenses</u>				
Cost of precious metal	471	730	1,066	2,383
	<u>471</u>	<u>730</u>	<u>1,066</u>	<u>2,383</u>
	<u><u>26,027</u></u>	<u><u>20,215</u></u>	<u><u>48,463</u></u>	<u><u>41,834</u></u>

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**22 Allowance made for impairment on loans and advances and other losses**

	<b>2nd Quarter Ended</b>		<b>Six Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Allowance for impaired loans and advances				
<u>Individual impairment allowance</u>				
- Made during the financial period	<b>7,087</b>	512	<b>7,087</b>	512
- Written back during the financial period	<b>(1,451)</b>	-	<b>(1,451)</b>	(237)
	<b>5,636</b>	512	<b>5,636</b>	275
<u>Collective impairment allowance</u>				
- Made during the financial period	<b>(5,074)</b>	4,573	<b>(1,037)</b>	4,813
	<b>(5,074)</b>	4,573	<b>(1,037)</b>	4,813
	<b>562</b>	5,085	<b>4,599</b>	5,088

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**23 Capital adequacy**

**(a) The capital adequacy ratios of the Group and Bank are as follows:**

	<u>Group</u>		<u>Bank</u>	
	<b>30 June 2016 RM'000</b>	31 December 2015 RM'000	<b>30 June 2016 RM'000</b>	31 December 2015 RM'000
<b><u>Common Equity Tier 1 (CET1) Capital</u></b>				
Paid-up ordinary share capital	<b>760,518</b>	760,518	<b>760,518</b>	760,518
Retained profits	<b>175,396</b>	175,396	<b>163,473</b>	163,473
Other reserves	<b>223,231</b>	223,231	<b>223,231</b>	223,231
Regulatory reserves	<b>22,671</b>	22,671	<b>22,671</b>	22,671
	<b>1,181,816</b>	1,181,816	<b>1,169,893</b>	1,169,893
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	<b>(2,767)</b>	(2,866)	<b>(2,741)</b>	(2,783)
- Regulatory reserve attributable to loans and advances	<b>(25,647)</b>	(22,671)	<b>(25,647)</b>	(22,671)
	<b>(28,414)</b>	(25,537)	<b>(28,388)</b>	(25,454)
Total CET1 capital / Total Tier 1 capital	<b>1,153,402</b>	1,156,279	<b>1,141,505</b>	1,144,439
<b><u>Tier-2 capital</u></b>				
Collective assessment allowance	<b>33,054</b>	34,407	<b>33,054</b>	34,407
Regulatory reserves	<b>25,647</b>	22,671	<b>25,647</b>	22,671
Less: Investment in subsidiary	-	-	<b>(1,000)</b>	(1,000)
Total Tier-2 capital	<b>58,701</b>	57,078	<b>57,701</b>	56,078
Total capital base	<b>1,212,103</b>	1,213,357	<b>1,199,206</b>	1,200,517
<b><u>Capital ratios</u></b>				
CET 1 capital ratio	<b>19.027%</b>	21.381%	<b>18.958%</b>	21.310%
Tier 1 capital ratio	<b>19.027%</b>	21.381%	<b>18.958%</b>	21.310%
Total capital ratio	<b>19.996%</b>	22.437%	<b>19.916%</b>	22.354%

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**23 Capital adequacy (continued)**

**(b) Breakdown of risk-weighted assets in the various categories of risk-weights are as follows :**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Credit risk	<b>5,634,694</b>	5,025,085	<b>5,631,690</b>	5,021,628
Market risk	<b>5,713</b>	9,179	<b>5,713</b>	9,179
Operational risk	<b>421,381</b>	373,649	<b>383,945</b>	339,583
Total risk-weighted assets	<b>6,061,788</b>	5,407,913	<b>6,021,348</b>	5,370,390

The total capital and capital adequacy ratios of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) dated 28 November 2012. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

On 6 April 2015, Bank Negara Malaysia issued Policy Document on Classification and Impairment Provisions for Loans/Financing. Pursuant to paragraph 15.2 of the Policy Document, effective 31 December 2015 banking institution is required to maintain in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment.

The regulatory reserve is maintained in addition to the collective impairment allowances that have been assessed in accordance with MFRS139. It will be transferred from the retained profits to a separate reserve namely regulatory reserve within the equity.

During the financial period, the Bank has transferred RM2.976 million from its retained profits to regulatory reserve maintaining aggregate of collective impairment allowances and regulatory reserves of 1.2% of total outstanding loans and advances. The regulatory reserve does qualify as Common Equity Tier 1 (CET1) Capital and Tier 1 Capital under Bank Negara Malaysia's Capital Adequacy Framework (Capital Components).

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**24 Commitments and contingencies**

	<b>Group and Bank</b>					
	<b>30 June 2016</b>			<b>31 December 2015</b>		
	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>
	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	<b>115,474</b>	<b>115,474</b>	<b>74,532</b>	80,517	80,517	60,507
Transaction-related contingent items	<b>1,981,492</b>	<b>990,746</b>	<b>865,672</b>	1,461,522	730,761	364,822
Short-term self-liquidation trade related contingencies	<b>107,050</b>	<b>21,410</b>	<b>11,981</b>	64,553	12,911	11,244
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	<b>1,245,061</b>	<b>249,012</b>	<b>232,461</b>	1,028,447	205,689	185,002
- Maturity exceeding one year	<b>182,843</b>	<b>91,422</b>	<b>59,807</b>	272,277	136,139	86,398
Foreign exchange related contracts:						
- Less than one year	<b>893,012</b>	<b>15,667</b>	<b>3,437</b>	419,525	2,709	717
<b>Total</b>	<b>4,524,932</b>	<b>1,483,731</b>	<b>1,247,890</b>	3,326,841	1,168,726	708,690

**BANK OF CHINA (MALAYSIA) BERHAD (511251-V)**  
**(Incorporated in Malaysia)**

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**25 Credit Exposures Arising From Credit Transactions With Connected Parties**

	<b>Group and Bank</b>	
	<b>30 June 2016</b>	<b>31 December 2015</b>
Outstanding credit exposures with connected parties (RM'000)	<b>934,747</b>	818,513
Percentage of outstanding credit exposures to connected parties total credit exposures	<b>15%</b>	14%
Percentage of outstanding credit exposures with connected parties non-performing or in default	<b>0%</b>	0%

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008. However, the Bank has obtained exemption from Bank Negara Malaysia's for the above credit transaction exposures with connected parties.

**26 Operations of Islamic Banking**

No Islamic banking activities was involved for the financial period ended 30 June 2016.

**27 Valuation of Property, Plant and Equipment**

The Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. There was no change in the valuation of property and equipment that were brought forward from the previous audited annual financial statements.

**28 Events subsequent to Reporting Date**

There were no material events subsequent to the reporting date that require disclosure or adjustments to the interim statements.

**29 Changes in the composition of the Group**

There were no significant changes in the composition of the Group for the 2nd quarter ended 30 June 2016.