



Mega International Commercial Bank Co., Ltd.
(Hong Kong Branch)
Year Ended Financial Information Disclosure Statements
For the year ended 31 December 2016

Section A - Branch Information (Hong Kong Office Only)

HK Dollars Thousand

1. Profit and Loss Information

| | 31/12/2016 | 31/12/2015 |
|--|----------------|----------------|
| Net Interest income | 303,542 | 281,758 |
| Interest income | 431,236 | 444,084 |
| Interest expenses | -127,694 | -162,326 |
| Other operating income | 29,813 | 16,467 |
| Gains less losses arising from non-trading in foreign currencies | 28,764 | 16,467 |
| Gains less losses on securities held for trading purposes | 717 | - |
| Gains less losses from other trading activities | 332 | - |
| Net fees and commission income | 42,178 | 57,406 |
| Gross fees and commission income | 45,107 | 60,405 |
| Gross fees and commission expenses | -2,929 | -2,999 |
| Others | 149 | 214 |
| Staff and rental expenses | -38,404 | -39,816 |
| Other expenses | -31,150 | -31,010 |
| Provisions for impaired loans and receivables | 21,695 | 9,821 |
| Profit before taxation | 327,823 | 294,840 |
| Taxation charge | 34,216 | 71,178 |
| Profit after taxation | <u>293,607</u> | <u>223,662</u> |

HK Dollars Thousand

2. Balance Sheet Information

| | 31/12/2016 | 30/06/2016 |
|---|-------------------|-------------------|
| <u>Assets</u> | | |
| Cash and short term funds (except those included in amount due from overseas offices) | 7,505,242 | 6,365,426 |
| Placements with banks and other financial institutions which have a residual contractual maturity of more than one month but not more than 12 months (except those included in amount due from overseas offices of the institution) | 8,108,627 | 9,191,161 |
| Amount due from overseas offices | 1,588,931 | 798,530 |
| Acceptance and bills of exchange held | 18,023 | 268,401 |
| Certificates of deposit held | 3,115,658 | 2,857,787 |
| Advances and other accounts | 4,585,741 | 6,007,222 |
| Investment securities | 3,709,823 | 4,064,265 |
| Other investments | - | - |
| Tangible fixed assets | 477 | 506 |
| Total assets | <u>28,632,522</u> | <u>29,553,298</u> |
| <u>Liabilities</u> | | |
| Deposits and balances of banks and other financial institutions (except those included in amount due to overseas offices) | 484,167 | 92,363 |
| Deposits from customers:- | | |
| Demand deposits and current accounts | 332,220 | 255,277 |
| Savings deposits; and | 17,058,434 | 16,920,016 |
| Time, call and notice deposits | 9,823,560 | 11,524,490 |
| Amount due to overseas offices | 84,626 | 82,548 |
| Other accounts and provisions | 555,908 | 527,728 |
| Total liabilities | <u>28,338,915</u> | <u>29,402,422</u> |
| Reserves and current profit/(loss) | 293,607 | 150,876 |
| Total equity and liabilities | <u>28,632,522</u> | <u>29,553,298</u> |

3. Additional Balance Sheet Information

| | 31/12/2016 | 30/06/2016 |
|---|------------------|------------------|
| i) <u>Advances and other accounts</u> | | |
| Advances to customers | 3,978,723 | 5,473,570 |
| Advances to banks and other financial institutions | 75,000 | 75,000 |
| Accrued interest and other accounts | 532,018 | 458,652 |
| Total | <u>4,585,741</u> | <u>6,007,222</u> |
| Provision for bad or doubtful debts | | |
| General - advances to customers | 40,801 | 55,904 |
| General - advances to banks and other financial institutions | - | - |
| Specific - advances to customers | 13,160 | 13,193 |
| Specific - advances to banks and other financial institutions | - | - |
| Specific - other accounts | - | - |

ii) (a) Advances to customers

| | | |
|---|---|---|
| Amount of advances to customers on which interest is being placed in suspense or on which interest accrual has ceased | - | - |
| Amount of suspended interest | - | - |
| Amount of specific provision made in respect of such advances | - | - |
| Percentage of such advances to total advances to customers | - | - |

(b) Advances to banks and other financial institutions

| | | |
|--|---|---|
| Amount of advances to banks and other financial institutions on which interest is being placed in suspense or on which interest accrual has ceased | - | - |
| Amount of suspended interest | - | - |
| Amount of specific provision made in respect of such advances | - | - |
| Percentage of such advances to total advances to banks and other financial institutions | - | - |

iii) (a) Breakdown of gross amount of advances to customers by industry sectors

| | 31/12/2016 | | 30/06/2016 | |
|--|------------------------|---------------------------------------|------------------------|---------------------------------------|
| | HK Dollars Thousand | % of Loan Covered by Collateral | HK Dollars Thousand | % of Loan Covered by Collateral |
| Loan for use in Hong Kong | | | | |
| Industrial, Commercial and Financial:- | | | | |
| Manufacturing | 178,972 | 0.00% | 214,433 | 0.00% |
| Property development | 37,500 | 0.00% | 37,537 | 0.00% |
| Property investment | 959,987 | 13.41% | 2,095,318 | 48.00% |
| Electricity and gas | - | 0.00% | - | 0.00% |
| Information technology | 174,499 | 0.00% | 126,076 | 0.00% |
| Wholesale and retail trade | 108,577 | 71.43% | 128,015 | 76.00% |
| Transport and transport equipment | 36,623 | 0.00% | 34,423 | 30.00% |
| Financial concerns | 351,075 | 77.92% | 470,629 | 87.00% |
| Hotel, boarding houses & catering | 15,511 | 0.00% | 184,058 | 76.00% |
| Stockbrokers | 257,683 | 0.00% | 175,252 | 0.00% |
| Professional & private individuals | - | 0.00% | - | 0.00% |
| Others | <u>260,267</u> | 89.39% | <u>142,951</u> | 81.00% |
| Sub-total | 2,380,694 | | 3,608,692 | |
| Trade finance | 128,453 | 25.47% | 161,460 | 21.00% |
| Loan for use outside Hong Kong | <u>1,469,576</u> | 63.13% | <u>1,703,418</u> | 56.00% |
| Total advances to customers | <u>3,978,723</u> | | <u>5,473,570</u> | |

(b) Breakdown of gross amount of advances to customers by geographical areas after taking account of transfer of risk

| | 31/12/2016 | | 30/06/2016 | |
|-----------|---------------------|--|---------------------|--|
| | HK Dollars Thousand | | HK Dollars Thousand | |
| China | 1,437,138 | | 1,895,340 | |
| Hong Kong | 565,811 | | 1,466,957 | |
| Taiwan | 274,844 | | 307,035 | |
| Others | 1,700,930 | | 1,804,238 | |
| Total | <u>3,978,723</u> | | <u>5,473,570</u> | |

(c) International claims by geographical segment
(as defined in HKMA Form MA(BS) 21) after taking account of transfer of risk

| | | HK Dollars Million | | | | | |
|------------------|--|-------------------------|-----------------|---------------------------------|------------------------------|--------|--------|
| As at 31/12/2016 | | Non-bank private Sector | | | | | |
| | | Banks | Official sector | Non-bank financial institutions | Non-financial private sector | Others | Total |
| 1 | Developed countries | 13,371 | - | - | 1,632 | - | 15,003 |
| 2 | Offshore centers | 14,100 | 93 | - | 9,139 | - | 23,332 |
| 3 | Developing Europe | - | - | - | - | - | - |
| 4 | Developing Latin America and Caribbean | - | - | - | - | - | - |
| 5 | Developing Africa and Middle East | 1,476 | - | - | 30 | - | 1,506 |
| 6 | Developing Asia Pacific | 15,830 | - | - | 2,026 | - | 17,856 |
| 7 | International organizations | - | - | - | - | - | - |
| 8 | Unallocated by country | - | - | - | - | - | - |

| | | HK Dollars Million | | | | | |
|------------------|--|-------------------------|-----------------|---------------------------------|------------------------------|--------|--------|
| As at 30/06/2016 | | Non-bank private Sector | | | | | |
| | | Banks | Official sector | Non-bank financial institutions | Non-financial private sector | Others | Total |
| 1 | Developed countries | 13,767 | - | - | 1,629 | - | 15,396 |
| 2 | Offshore centers | 11,562 | - | - | 12,817 | - | 24,379 |
| 3 | Developing Europe | - | - | - | - | - | - |
| 4 | Developing Latin America and Caribbean | - | - | - | - | - | - |
| 5 | Developing Africa and Middle East | 1,474 | - | - | 32 | - | 1,506 |
| 6 | Developing Asia Pacific | 15,733 | - | - | 2,965 | - | 18,698 |
| 7 | International organizations | - | - | - | - | - | - |
| 8 | Unallocated by country | - | - | - | - | - | - |

iv) Overdue and non-performing loans

| | | HK Dollars Thousand | |
|--|---|---------------------|------------|
| | | 31/12/2016 | 30/06/2016 |
| (a) Disclosure of non-performing loans: | | | |
| | Outstanding amount of non-performing loans | - | - |
| | Amount of suspended interest in respect of such loans | - | - |
| | Amount of specific provisions made in respect of such loans | - | - |
| | Percentage of such loans to total loans to customers | - | - |
| (b) Outstanding amount of overdue loans which have been overdue for more than: | | | |
| | 1 month and up to 3 months | - | - |
| | 3 months and up to 6 months | - | - |
| | 6 months and up to 1 year | - | - |
| | Over 1 year | 13,160 | 13,193 |
| | Rescheduled loans to customers (net of those overdue loans which have been disclosed above) | - | - |
| | Current market value of collateral | - | - |
| | Covered portion of overdue loans | - | - |
| | Uncovered portion of overdue loans | 13,160 | 13,193 |
| (c) Reconciliation between overdue loans and non-performing loans: | | | |
| | Loans to customers overdue for 3 months or less | - | - |
| | Loans to customers overdue for more than 3 months | 13,160 | 13,193 |
| | Less: Overdue loans for more than 3 months and on which interest is still being accrued | 13,160 | 13,193 |
| | Add: Overdue loans for 3 months or less or not yet overdue and on which interest is being placed in suspense or on which interest accrual has been ceased | - | - |
| | Add: Overdue loans for 3 months or less or not yet overdue and on which interest is still being accrued | - | - |
| | Total non-performing loans | - | - |

Note :

- (1) We have no non-performing, overdue and rescheduled loans to banks and other financial institutions as at 31/12/2016 and 30/06/2016.
- (2) We have no repossessed assets held by the branch as at 31/12/2016 and 30/06/2016.

v) Non-bank China exposures

HK Dollars Million

As at 31/12/2016

| Companies and individuals outside China where the credit is granted for use in China : | items in HKMA return | On-balance sheet exposure | Off-balance sheet exposure | Total |
|--|-------------------------|------------------------------|-------------------------------|-------|
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs) | 1 | 709 | - | 709 |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs | 2 | 77 | - | 77 |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 3 | 505 | 119 | 624 |
| 4. Other entities of central government not reported in item 1 above | 4 | 167 | 71 | 238 |
| 5. Other entities of local governments not reported in item 2 above | 5 | - | - | - |
| 6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 6 | 369 | 349 | 718 |
| 7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | 7 | - | 1 | 1 |
| Total | 8 | 1,827 | 540 | 2,367 |
| Total assets after provision | 9 | 28,579 | | |
| On-balance sheet exposures as percentage of total assets | 10 | 6% | | |

As at 30/06/2016

| Companies and individuals outside China where the credit is granted for use in China: | items in HKMA return | On-balance sheet exposure | Off-balance sheet exposure | Total |
|--|-------------------------|------------------------------|-------------------------------|-------|
| 1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs) | 1 | 896 | - | 896 |
| 2. Local governments, local government-owned entities and their subsidiaries and JVs | 2 | 124 | - | 124 |
| 3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs | 3 | 461 | 218 | 679 |
| 4. Other entities of central government not reported in item 1 above | 4 | 243 | - | 243 |
| 5. Other entities of local governments not reported in item 2 above | 5 | 59 | - | 59 |
| 6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China | 6 | 1,483 | 921 | 2,404 |
| 7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures | 7 | 157 | 1 | 158 |
| Total | 8 | 3,423 | 1,140 | 4,563 |
| Total assets after provision | 9 | 29,484 | | |
| On-balance sheet exposures as percentage of total assets | 10 | 12% | | |

vi) Significant foreign currency exposures

HK Dollars Million

31/12/2016

| | USD | EUR | CNY | Other Currency | Total |
|---|---------|------|--------|----------------|---------|
| Spot assets | 22,369 | 584 | 1,806 | 996 | 25,755 |
| Spot liabilities | -23,447 | -584 | -1,839 | -968 | -26,838 |
| Forward purchases | 1,206 | - | 33 | 88 | 1,327 |
| Forward sales | -122 | - | - | -115 | -237 |
| Net option position (worst case approach) | - | - | - | - | - |
| Net long (short) position | 6 | - | - | 1 | 7 |

HK Dollars Million

30/06/2016

| | USD | EUR | CNY | Other Currency | Total |
|---|---------|------|--------|----------------|---------|
| Spot assets | 22,910 | 567 | 1,618 | 647 | 25,742 |
| Spot liabilities | -24,505 | -567 | -2,156 | -944 | -28,172 |
| Forward purchases | 2,462 | - | 536 | 306 | 3,304 |
| Forward sales | -860 | - | - | -12 | -872 |
| Net option position (worst case approach) | - | - | - | - | - |
| Net long (short) position | 7 | - | -2 | -3 | 2 |

4. Off-Balance Sheet Exposures

Contractual or notional amounts of off-balance sheet exposures outstanding:

| | HK Dollars Thousand | |
|--|---------------------|------------------|
| | 31/12/2016 | 30/06/2016 |
| Contingent liabilities and commitments | | |
| Direct credit substitutes | 21,513 | 18,237 |
| Transaction-related contingencies | - | - |
| Trade-related contingencies | 26,882 | 57,258 |
| Other commitments | 3,265,825 | 3,910,059 |
| Exchange rate contracts | 1,348,086 | 3,343,362 |
| Interest rate contracts | 77,555 | 77,585 |
| Total | <u>4,739,861</u> | <u>7,406,501</u> |

Replacement cost (this amount does not take into account the effects of bilateral netting arrangements) for:

Exchange rate contracts:

| | | |
|---------------------|------|------|
| Positive fair value | 402 | 782 |
| Negative fair value | -224 | -247 |

Interest rate contracts :

| | | |
|---------------------|------|--------|
| Positive fair value | - | - |
| Negative fair value | -108 | -1,431 |

5. Liquidity

| | 31/12/2016 | 30/06/2016 |
|---|------------|------------|
| The average liquidity maintenance ratio for the period: | | |
| Average liquidity maintenance ratio | 49.69% | 45.52% |

The average liquidity maintenance ration is the arithmetic mean of each calendar month's average liquidity maintenance ration for the period as calculated in accordance with the Banking (Liquidity) Rules with effect from 1 January 2015.

Hong Kong Branch (the Branch) has policy, procedure and Asset-Liability Committee (ALCO) to manage and monitor the liquidity risk of the branch.

Liquidity indicators (e.g. LMR, interest rate gapping ratio, RMB liquidity ratio) are monitored on a daily basis. Accounting department also conducts liquidity stress test and provides the result to Treasury Department for reference on monthly basis.

6. Remuneration Disclosure

In accordance with section 3 of the HKMA' s Supervisory Policy Manual Guideline CG-5 "Sound Remuneration System", Mega International Commercial Bank Co., Ltd. has disclosed the relevant information in the part of Corporate Governance of the Bank's Annual Report (Chinese version).

7. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

Section B - Bank Information (Consolidated Basis)

NT Dollars Million

| | <u>31/12/2016</u> | <u>30/06/2016</u> |
|--|-------------------|-------------------|
| 1. Capital Adequacy Ratio | | |
| Consolidated capital adequacy ratio: | 14.49% | 13.41% |
| Note: The capital adequacy ratio is computed in accordance with the Basel III Capital Accord framework, after taking into account for credit risk, market risk and operational risk. | | |
| 2. Capital | | |
| Aggregate amount of shareholders' funds | 257,564 | 248,064 |
| 3. Other Financial Information | | |
| Total assets | 2,974,452 | 2,993,824 |
| Total liabilities | 2,716,887 | 2,745,760 |
| Total advances | 1,715,279 | 1,731,772 |
| Total customer deposits and remittances | 2,173,616 | 2,238,941 |
| | <u>31/12/2016</u> | <u>31/12/2015</u> |
| Pre-tax profit | 23,115 | 30,320 |

Chief Executives' Declaration of Compliance

It is certified by the Chief Executive of Mega International Commercial Bank Co., Ltd., Hong Kong Branch that the information disclosed above complies fully with the disclosure standards as set out in CA-D-1 (Guideline on the Application of the Banking(Disclosure) Rules) of the Supervisory Policy Manual (V.2 - 06.08.15) issued by the Hong Kong Monetary Authority and is not false or misleading.

For and on behalf of
Mega International Commercial Bank Co., Ltd.,
Hong Kong Branch

For and on behalf of
**MEGA INTERNATIONAL COMMERCIAL
BANK CO., LTD.
HONG KONG BRANCH**


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Authorized Signature(s)

Lee Chao- Ho **27 MAR 2017**
Senior Vice President & General Manager