



交銀國際控股有限公司

BOCOM International Holdings Co.,Ltd.

(Incorporated in Hong Kong with limited liability)
Stock code: 3329



2021

INTERIM
REPORT





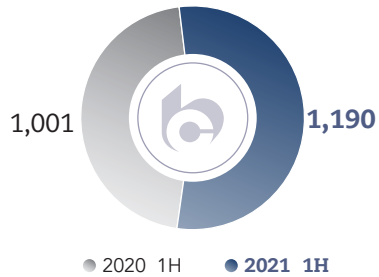
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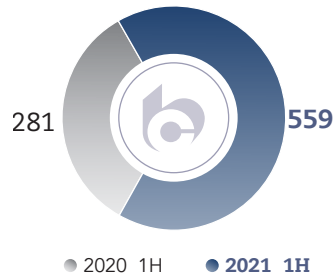
Financial Highlights

Results

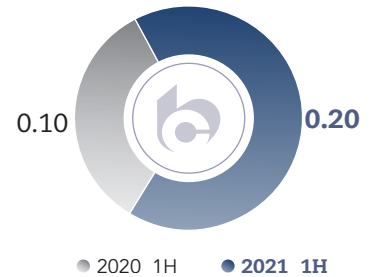
Revenue and other income
(in million HK\$)



Profit attributable to Shareholders of the Company
(in million HK\$)

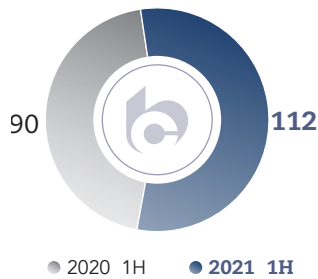


Basic/Diluted earnings per share
(in HK\$)

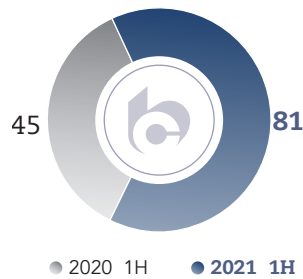


Revenue and other income by segment

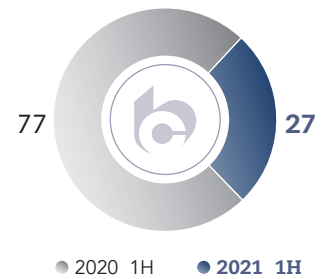
Brokerage
(in million HK\$)



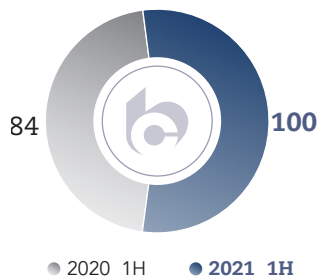
Corporate finance and underwriting
(in million HK\$)



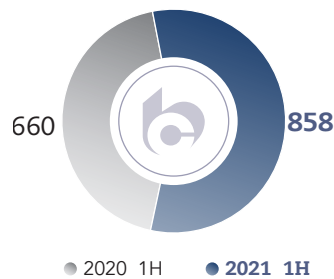
Asset management and advisory
(in million HK\$)



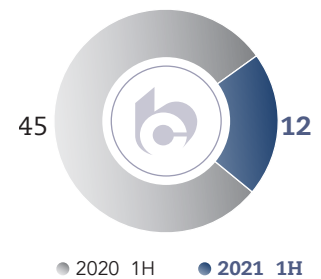
Margin financing
(in million HK\$)



Investment and loans
(in million HK\$)



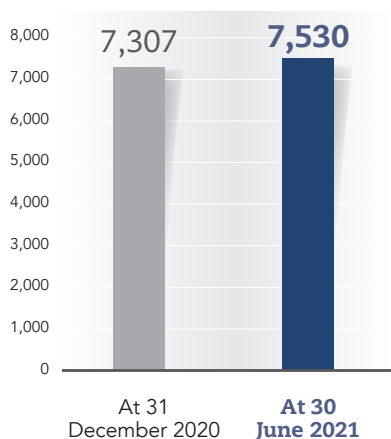
Others
(in million HK\$)



Financial Position

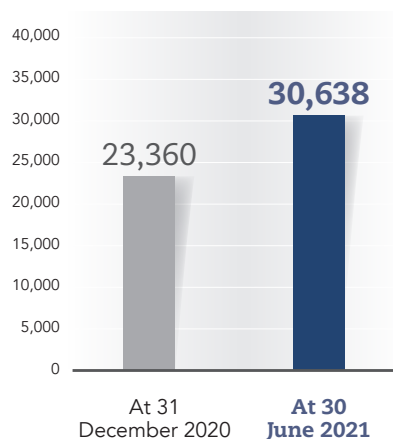
Shareholders' equity — attributable to Shareholders of the Company

(in million HK\$)



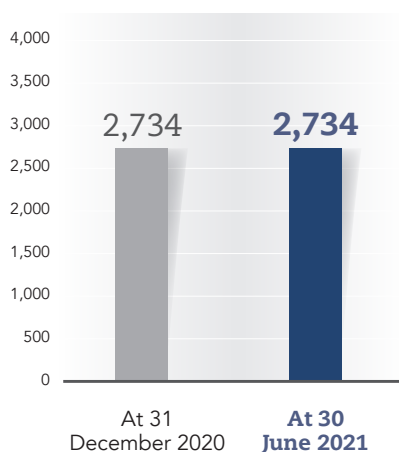
Total assets

(in million HK\$)



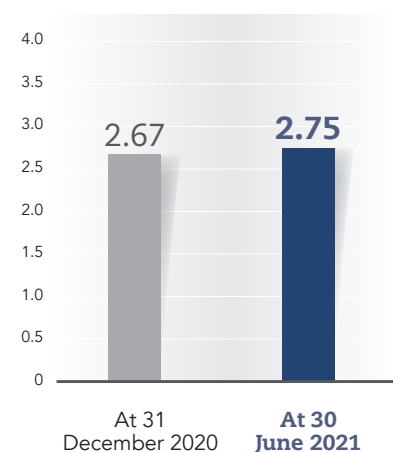
Number of shares in issue

(in million shares)



NAV per share — attributable to Shareholders of the Company

(in HK\$)



Corporate Information

BOARD OF DIRECTORS

Executive Directors

TAN Yueheng (*Chairman*)
MENG Yu (*Chief Executive Officer*)
CHENG Chuange (*Deputy Chief Executive Officer*)

Non-executive Directors

LIN Zhihong
SHOU Fugang
PO Ying

Independent Non-executive Directors

TSE Yung Hoi
MA Ning
LIN Zhijun

BOARD COMMITTEES

Executive Committee

TAN Yueheng (*Chairman*)
MENG Yu
CHENG Chuange
XI Xuanhua*
SU Fen*

Audit and Risk Management Committee

LIN Zhijun (*Chairman*)
LIN Zhihong
TSE Yung Hoi

Remuneration Committee

TSE Yung Hoi (*Chairman*)
SHOU Fugang
MA Ning
LIN Zhijun

Nomination Committee

TAN Yueheng (*Chairman*)
PO Ying
TSE Yung Hoi
MA Ning
LIN Zhijun

COMPANY SECRETARY

YI Li

AUTHORISED REPRESENTATIVES

CHENG Chuange
YI Li

REGISTERED OFFICE

9/F, Man Yee Building, 68 Des Voeux Road Central,
Hong Kong

LEGAL ADVISER

As to Hong Kong laws
Freshfields Bruckhaus Deringer

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd. Hong Kong Branch
Standard Chartered Bank (Hong Kong) Limited
Industrial and Commercial Bank of China (Asia) Limited
Industrial Bank Co., Ltd. Hong Kong Branch
Agricultural Bank of China Hong Kong Branch
China CITIC Bank International Limited
OCBC Wing Hang Bank Limited
China Construction Bank (Asia) Corporation Limited

STOCK CODE

HKEX	3329
Reuters	3329.HK
Bloomberg	3329 HK

COMPANY WEBSITE

www.bocomgroup.com

* Ms. XI Xuanhua and Mr. SU Fen are Deputy Chief Executive Officers of the Company.

Management Discussion and Analysis

MACRO ENVIRONMENT AND MARKET REVIEW

In the first half of 2021, the global economy was recovering faster than expected. The expansion of the main central banks' balance sheets continued, and interest rates stayed low, while fiscal stimulus added more momentum to the demand recovery. Production has gradually returned to the pre-pandemic level, and consumer demand has improved. Global merchandise trade roared back, and the Baltic Dry Index hit a 10-year high. Commodities rallied on compounding factors of unprecedented global fiscal and monetary policies, supply shortages, US dollar depreciation, and economic recovery, to the point of raising concerns over inflation. Expectations of early Fed tapering have started heating up.

However, the pick-up in global economic activities was uneven, and the disparity in vaccination coverage between countries and regions posed risks for fragile recovery. Vaccination is vital for reopening borders. Some developed countries that have been leading in their rate of vaccination were seeing their economies recover faster, while growth was lagging behind in many developing countries where the pandemic was still raging due to the slow rate of vaccination. Particularly, those countries heavily reliant on contact-intensive service industries would likely take longer to get back on track.

China's recovery was uneven across sectors, with industrial production outpacing consumer spending. Thanks to the increased momentum of external demand, China's exports to major trading partners increased significantly. The property market showed strong resilience, with both sales and investment rising, and remained one of the key drivers of China's economic growth. The investment in manufacturing moved into positive territory. Investment in high-tech manufacturing grew faster, accelerating the conversion of old to new drivers. However, service consumption has lagged behind. Local outbreaks suppressed consumption, and contact-intensive industries such as catering, entertainment, tourism, and hotels still need to improve.

Hong Kong's economy jumped back into growth while retail services remained under pressure. The economic rebound was largely sparked by a sharp resurgence in exports. The job market saw some improvement and the unemployment rate dropped for several months consecutively with the relaxation of social-distancing rules for containing the spread of COVID-19 when the pandemic was easing. However, restoring global travel is crucial to a broader based economic recovery. The business environment of the retail industry remained difficult, as inbound tourism remained frozen and the pandemic was not under full control. Scrutiny over the internet sector was tightening and it turned up the heat on industry giants such as Alibaba, Meituan and Tencent. With surging inflation expectations, the market rotated aggressively away from growth stocks into value stocks. The once-favored tech-oriented stocks slid, while cyclical stocks which mainly include traditional industries that have underperformed for many years enjoyed a turnaround following the economic recovery.

Management Discussion and Analysis

BUSINESS REVIEW

As one of the earliest licensed securities firms with PRC background in Hong Kong, we are one of the largest securities firms specialising in securities brokerage and margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses. We believe that one of our core competitive strengths is our ability to offer comprehensive and integrated financial services and products that fulfill various investment and wealth management needs of clients. During the Reporting Period, the Group's revenue and other income was HK\$1,189.8 million, representing an increase of 18.9% when compared with HK\$1,000.6 million for the same period last year. The Group's profit was HK\$571.7 million, representing an increase of 105.1% when compared with HK\$278.8 million for the same period last year.

Securities Brokerage and Margin Financing

Our securities brokerage business includes executing trades on behalf of clients in listed company stocks, bonds, futures, options and other marketable securities. We execute trades on behalf of clients of various securities products, with primary focus on stocks of companies listed on the Stock Exchange, and other types of securities, including eligible A shares under the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, B shares of listed companies on the PRC stock exchanges, US stocks and bonds as well as futures and other exchange-tradable securities. Futures and options contract products include Hang Seng Index futures and options, mini-Hang Seng Index futures and options, H-shares index futures and options, mini-H-shares index futures and options and stock options.

According to the synergetic development strategy of licensed business and asset business, in the first half of 2021, we stepped up our wealth management business transformation by leveraging group integrated resources, company investment research and risk control abilities, and our user-friendly global trading platform. Conforming to market cycle and changing investment themes, we provided our customers with diversified wealth management products and services that cater to the market needs via businesses such as global stocks, distinguished structured fixed income products and unicorn private equity products, further optimising the income structure.

During the same time, we kept accelerating the pace of digital finance transformation. For instance, based on digitalised reporting systems, we continue to iterate SMARTBI, develop CRM system, and perform customer stratification, improving infrastructure for conducting precise marketing on the basis of customer portraits.

For the six months ended 30 June 2021, our commission and fee income from the securities brokerage business was HK\$102.7 million, an increase of HK\$20.7 million or 25.2% as compared with the corresponding period of 2020.

Management Discussion and Analysis

The following table sets forth a breakdown of the commission by product types of our securities brokerage business:

	For the six months ended 30 June			
	2021		2020	
	HK\$'million	%	HK\$'million	%
Hong Kong stocks	76.7	74.7	62.1	75.7
Non-Hong Kong stocks	14.7	14.3	10.3	12.6
Bonds	5.5	5.4	2.7	3.3
Others	5.8	5.6	6.9	8.4
	102.7	100.0	82.0	100.0

Our margin financing business includes offering collateralised financing for stocks and bonds relating to securities transactions to both retail and institutional customers who require financing.

In response to the increasing credit risk, regulatory changes in the margin financing business, and the market volatility and the liquidity risk caused by unexpected capital flows, we have adopted structural adjustments to improve the margin financing risk management.

During the first half of 2021, the number of margin client accounts increased to 9,417. The monthly average loan balance increased and interest income from margin loans for the six months ended 30 June 2021 was HK\$99.6 million, an increase of HK\$16.0 million or 19.2% as compared with the corresponding period in 2020.

The following table sets forth a summary of key operating and financial information of our margin financing business:

	30/6/2021	31/12/2020
Number of margin accounts	9,417	8,969
Balance of gross margin loans (HK\$'million)	2,738.4	2,881.8
Monthly average balance (HK\$'million)	2,869.8	2,669.4
Highest month end balance (HK\$'million)	3,055.4	2,881.8
Lowest month end balance (HK\$'million)	2,581.7	2,434.4
Margin value (HK\$'million) (Note 1)	3,410.0	3,475.6
Market value (HK\$'million) (Note 2)	10,278.6	10,272.1

Notes:

- 1) Margin value refers to the market value of the securities pledged as collateral for margin loans multiplied by a collateral discount ratio for each individual security.
- 2) Market value refers to the value of the securities pledged as collateral for margin loans at the real-time price of each individual security.

Management Discussion and Analysis

Corporate Finance and Underwriting

We are dedicated to building a comprehensive and cross-border platform for our corporate finance and underwriting business. To address various needs of our corporate clients at different stages, we provide advisory services ranging from IPO sponsorship, equity securities underwriting (both primary and secondary), bond underwriting, mergers and acquisitions, pre-IPO financing, and financial advisory.

In the first half of 2021, there were a total of 46 new listings on the Stock Exchange (including the transfer of listing from GEM to Main Board). The number of new listings decreased by 28.1% as compared with the corresponding period in 2020. The aggregate amount of funds raised through IPOs was HK\$210.4 billion, an increase of 126.6% as compared with the corresponding period in 2020.

We have devoted more resources in building up execution teams specialising in the technology, media and telecommunications, healthcare and biotechnology industries in order to capture the business opportunities of a new era. During the Reporting Period, we acted as a global coordinator and/or bookrunner for 14 completed IPO projects and the number of underwriting projects ranked fifth in the Hong Kong market. In respect of debt capital markets, we completed 75 debt issuance projects and successfully assisted corporations in raising USD26.7 billion in aggregate. We also completed 5 financial advisory projects.

For the six months ended 30 June 2021, our commission and fee income from corporate finance and underwriting services was HK\$80.6 million, an increase of HK\$36.0 million or 80.5% as compared to HK\$44.6 million in the corresponding period of 2020.

Asset Management and Advisory

We offer a full range of asset management products including both public and private equity funds, and discretionary management accounts, as well as investment advisory services. In addition to Hong Kong, we also provide asset management services in Mainland China via BOCOM International (Shanghai) in Shanghai and BOCOM International (Shenzhen) in Qianhai, Shenzhen.

Our core value is to provide comprehensive investment solutions and high-quality services to individual investors and institutional clients. In addition to traditional investments, we also offer alternative investments to investors. We have built up a cross-border asset management platform through our presence in Hong Kong, Shanghai and Shenzhen to grasp the distinct sources of investment growth in Mainland China. With the improved investment and research capabilities, we seized the structural growth opportunities in capital markets. During the Reporting Period, the performance of a public fund we launched and managed ranked first among funds of the same type in the Hong Kong market according to Bloomberg data.

Management Discussion and Analysis

With a focus on investing in artificial intelligence, new materials, bio-pharmaceuticals and next-generation information technology, we also provide integrated financial services to investors, including but not limited to the sourcing of investments, project structuring, full value chain financing and tax arrangements. BOCOM Science and Technology Innovation Equity Investment Fund, which was established under our Shanghai asset management platform, is the first bank-affiliated science and technology equity investment fund in China, with underlying investments aiming to be listed on the Science and Technology Innovation Board (the "STAR Market"). We serve as fund manager, leveraging on the resources of the BOCOM Group to provide high-quality technology and innovation companies with full-scale comprehensive financial services. As at 30 June 2021, BOCOM science and technology innovation equity investment series funds have completed 18 equity investment projects, mainly distributed in the Yangtze River Delta region, focusing on the fields of biomedicine and information technology, of which 7 are ready to be listed on the STAR Market in the near future. To improve business influence, acting as fund manager, we set up Nanjing BOCOM Suyan & SOHO Equity Investment Partnership Enterprise (Limited Partnership)* (南京交銀蘇鹽蘇豪股權投資合夥企業(有限合夥)) in Jiangsu, BOCOM Dingji Science and Technology Innovation Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited Partnership)* (交銀鼎吉科創股權投資基金(深圳)合夥企業(有限合夥)) in Guangdong, Qingdao BOCOM Haikong Science and Technology Innovation Equity Investment Partnership Enterprise (Limited Partnership)* (青島交銀海控科創股權投資合夥企業(有限合夥)) in Shandong, Jiaying Hengsheng Equity Investment Fund Partnership Enterprise (Limited Partnership)* (嘉興恒昇股權投資基金合夥企業(有限合夥)) in Zhejiang, Dong Feng BOCOM Yuan Jing Auto Industry Equity Investment Fund (Wuhan) Partnership Enterprise (Limited Partnership)* (東風交銀轅憬汽車產業股權投資基金(武漢)合夥企業(有限合夥)) in Hubei, and BOCOM Shunjing (Hangzhou) Equity Investment Partnership Enterprise (Limited Partnership)* (交銀舜晶(杭州)股權投資合夥企業(有限合夥)) in Zhejiang.

We provide a full chain of QFLP, QDIE/QDLP fund product service under our asset management platform in Mainland China, and provide cross-border investment and financing projects, which is a "third option" different from the traditional methods of cross-border fundraising.

Diversified products are the building blocks of our asset management business. As at 30 June 2021, the total amount of AUM was approximately HK\$31,427.2 million, representing an increase of 13.5% from HK\$27,687.8 million as at 31 December 2020. For the six months ended 30 June 2021, asset management and advisory fee income decreased by HK\$48.0 million or 64.5% to HK\$26.4 million, which comprised of management fee income of HK\$24.2 million and advisory fee income of HK\$2.2 million.

Investment and Loans

Our investment and loans business comprises equity investment, bonds investment, structured financing and loans. We aim to achieve a balance between investment returns and tolerable risks.

For equity investments, in recent years, we carried out plans with foresight by closely following strategic emerging industries, advanced manufacturing industries, technological innovation and areas such as upgrading of traditional industries, and participated in debt-equity hybrid investments in enterprises with high growth potential. For bond investments, we prefer short-to-medium duration products with good credit standing and offshore premium.

Management Discussion and Analysis

For structured finance and corporate loans, we launched a full spectrum of credit business, including leveraged loans, direct lending and structured products, etc. In terms of asset classes, we mainly focus on loans with high-quality underlying assets and tailor-made structures, in order to reduce market risk and improve collateral control.

The market continued to recover in the first half of 2021. In the meantime, we delivered steady returns through past investments and actively seeking new opportunities. For the six months ended 30 June 2021, interest income from loans and advances, receivables from structured financing and financial assets at fair value through other comprehensive income was HK\$249.2 million, representing an increase of approximately 2.6% as compared to HK\$243.0 million for the corresponding period in 2020. Proprietary trading income was HK\$586.1 million, an increase of HK\$182.4 million or 45.2% as compared to HK\$403.7 million for the corresponding period in 2020.

The table below sets forth our investment position by asset types for our equity and fixed income investment business:

	30/6/2021		31/12/2020	
	HK\$'million	%	HK\$'million	%
Fixed income securities	14,441.6	79.3	10,292.7	79.7
Bonds	13,106.8	72.0	8,609.3	66.7
Preference shares	1,334.8	7.3	1,683.4	13.0
Equity investments	797.3	4.4	453.2	3.5
Funds	2,956.7	16.3	2,176.8	16.8

Research

Our research team focuses on market strategies, macroeconomics, key industries and companies and other fields in the global market, and provides independent and objective research support to institutional clients, the Group and the Company's own businesses. We provide comprehensive analysis and forecasting in respect of sector-and company-specific fundamentals. The team has been highly rated by institutional investors in Hong Kong, Mainland China and overseas markets. The "New Frontier Research Center" we established has made a breakthrough in cross-sector forward-looking research. Analysts from different sectors have conducted analysis and forecast on cutting-edge topics from various perspectives. Research topics in the first half of the year include digital banking, digital RMB, carbon neutrality, autonomous driving, new energy, medical insurance, community group-buy, etc. As of 30 June 2021, the readership volume of in-depth research reports has doubled from last year's average.

FINANCIAL REVIEW

Financial Performance

For the six months ended 30 June 2021, the Group's total revenue and other income was approximately HK\$1,189.8 million, representing an increase of approximately 18.9% over HK\$1,000.6 million for the corresponding period in 2020.

The following table sets out the breakdown of total revenue and other income by segments:

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	HK\$'million	%	HK\$'million	%
Brokerage	112.4	9.4	90.1	9.0
Corporate finance and underwriting	80.6	6.8	44.6	4.5
Asset management and advisory	26.8	2.2	76.9	7.7
Margin financing	99.6	8.4	83.6	8.3
Investment and loans	858.6	72.2	660.2	66.0
Others	11.8	1.0	45.2	4.5
Total	1,189.8	100.0	1,000.6	100.0

The Group's profit for the six months ended 30 June 2021 was approximately HK\$571.7 million, representing an increase of approximately 105.1% over HK\$278.8 million for the corresponding period in 2020.

Operating Expenses

Operating expenses and finance costs for the six months ended 30 June 2021 amounted to HK\$546.6 million (2020 1H: HK\$651.9 million), an analysis of which is listed below:

	For the six months ended 30 June 2021		For the six months ended 30 June 2020	
	HK\$'million	%	HK\$'million	%
Commission and brokerage expenses	31.0	5.7	25.8	4.0
Finance costs	106.3	19.4	161.4	24.8
Staff costs	194.5	35.6	156.5	24.0
Depreciation	47.6	8.7	39.9	6.1
Other operating expenses	105.0	19.2	95.4	14.6
Change in impairment allowance	62.2	11.4	172.9	26.5
Total	546.6	100.0	651.9	100.0

Management Discussion and Analysis

Due to the increase in brokerage revenue, commission and brokerage expenses also increased accordingly.

Staff cost increased by 24.3%, which was due to increase in headcount and provision for bonuses and incentives as a result of increase in profit for the period.

Finance costs decreased by 34.1% mainly for decrease in average interest rate.

Depreciation increased by 19.4% for increase in depreciation on right-of-use assets in respect of the lease of new offices in Shanghai and Shenzhen.

Other operating expenses increased by 10.0%. It represented the net increase of various expenses including information cost, professional fees, settlement charges and exchange difference.

Change in impairment allowance decreased to HK\$62.2 million. The impairment mainly represented impairment on margin loans to customers and debt investments at fair value through other comprehensive income. The level of uncertainty and judgement for the calculation of impairment allowance was affected by the economic effects of the COVID-19 pandemic.

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and bank balances as at 30 June 2021 increased by HK\$169.4 million to HK\$2,174.3 million (31 December 2020: HK\$2,004.9 million).

The Group's net current assets increased by HK\$2,599.8 million to HK\$7,676.2 million as at 30 June 2021 (31 December 2020: HK\$5,076.4 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 times as at 30 June 2021 (31 December 2020: 1.4 times).

On 28 June 2021, the Group issued US\$500 million 1.75% guaranteed notes under the medium term note programme of a wholly owned subsidiary of the Company. The notes and the programme are listed on the Stock Exchange and the notes are issued to professional investors only as described in the pricing supplement dated 22 June 2021 and the offering circular dated 4 June 2021. The notes will mature on 28 June 2026 and are guaranteed by the Company.

As at 30 June 2021, the total borrowings of the Group amounted to HK\$19,026.7 million (31 December 2020: HK\$13,703.5 million), comprising of bank and other borrowings, obligation under repurchase agreements, subordinated loans and debt securities issued. Among which, the subordinated loans from the ultimate holding company amounted to HK\$1,000.0 million (31 December 2020: HK\$1,000.0 million).

As at 30 June 2021, the Group's gearing ratio was 235.4% (31 December 2020: 176.0%), as calculated by dividing total borrowings by total equity.

The Directors are of the view that the Group has maintained adequate liquidity for business operations and any investment opportunities that may arise in the near future.

Capital Structure

The Group finances its working capital requirements by cash generated from its business operations, bank loans (including loans from BOCOM) and medium term note. Our capital structure consists of share capital and reserves.

Principal Risks

The Group faces a number of principal risks and uncertainties that if not properly managed could create an exposure for the Group. Thorough risk assessment and mitigation help to ensure these risks are well managed and effectively controlled. The Group focuses on addressing the following principal risks:

Currency Risk

The Group has certain transactions denominated in foreign currencies and is therefore exposed to exchange rate fluctuations. Our currency risk exposure mainly lies in RMB and USD at present. The exchange rate of HKD against USD is relatively stable under the current pegged rate system in Hong Kong.

Interest Rate Risk

Our interest rate risk relates primarily to margin loans to customers, loans and subordinated loans and investments in debt securities. The Group has set up an asset portfolio management system to mitigate interest rate risk by diversification of assets and regular monitoring of risk exposure so as to quantify market exposure in duration terms.

Anticipating the LIBOR will likely to be phased out at the end of 2021, the Group has in depth assessed the overall impact on the business operations in the following key areas:

- quantification and monitoring of exposures to LIBOR contracts;
- impact assessment across businesses and functions; and
- a plan to review pricing model to reduce exposure to LIBOR contracts.

In view of the above, the management envisages that the abolishment of current LIBOR will have limited impact on the Group's interest rate exposures (both directly and indirectly). While there had been no significant impact on the Group's performance during the Reporting Period, the management will continue to monitor the market development and take appropriate measures to mitigate the risks accordingly.

Credit Risk

Our credit risk arises from the possibility that our clients or counterparties for a transaction may default. The Group has a range of credit policies and practices in place to mitigate such risk and ensure such risk is monitored on an ongoing basis.

Management Discussion and Analysis

Liquidity Risk

Our businesses rely on having sufficient funds to pay due debts, perform payment obligations and satisfy the capital requirements. The Group has implemented internal measures to monitor the liquidity risk and the foreseeable funding requirements to ensure certain subsidiaries of the Company that are regulated under the SFO continuously comply with the relevant rules and regulations.

Operational Risk

Our operational risk arises from direct or indirect financial loss resulting from incomplete or irregular internal processes, personnel mistakes, information technology system failures, or external events. The Group has implemented a range of internal controls and other measures to mitigate such risk.

Market Risk

Our market risk includes currency risk, interest rate risk and other price risk. The Group has implemented measures to manage and monitor such risks in order to keep potential losses to an acceptable level and maximise returns.

Material Acquisitions and Disposals

During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associates or joint ventures of the Group.

Significant Investments Held

During the Reporting Period, there was no significant investment held by the Group.

Charges on Group Assets

As at 30 June 2021, there was no charge on Group assets (31 December 2020: Nil).

Capital Commitments

As at 30 June 2021, the Group had no significant capital commitment.

Employees and Remuneration Policies

As at 30 June 2021, the Group had a total of 341 employees. Total staff costs amounted to approximately HK\$194.5 million for the six months ended 30 June 2021.

The Group continuously refines its remuneration and incentive policies to boost business development and ensure employees receive competitive remuneration packages. The remuneration of the Directors is determined with reference to their duties, responsibilities, experience and to the prevailing market conditions. Mandatory provident fund scheme contributions and insurance packages have been provided to employees in accordance with local laws and regulations. The Group also provides various staff benefits according to among others, the relevant internal policy of the Company. We conduct performance evaluations of our employees annually to provide feedback on their performance.

Management Discussion and Analysis

We systematically provide comprehensive and diverse trainings to improve the professional skills of our employees. Employees are subsidised for participating in training courses which keep them abreast of the latest industry and technical developments.

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liabilities.

Use of Proceeds

The net proceeds from the Listing in 2017 after deducting underwriting fees and commissions and expenses in connection with the Listing, were approximately HK\$1,879.2 million. As at 30 June 2021, the Group utilised all net proceeds for the purposes as set out in the section headed “Future Plans and Use of Proceeds — Use of proceeds” in the Prospectus.

An analysis of the application/intended application and utilisation of the net proceeds from the Listing as at 30 June 2021 is set out below:

Application/Intended application	Net proceeds from the Listing (HK\$'million)	Utilised amount as at 31/12/2020 (HK\$'million)	Utilised amount during the Reporting Period (HK\$'million)	Utilised amount as at 30/06/2021 (HK\$'million)	Unutilised amount as at 30/06/2021 (HK\$'million)
1. Expand margin financing business	845.7	845.7	–	845.7	–
2. Expand asset management and advisory business	281.9	281.9	–	281.9	–
3. Expand investment and loans business	187.9	187.9	–	187.9	–
4. Develop IT infrastructure and internal control systems	187.9	185.0	2.9	187.9	–
5. Attract and retain talent as well as optimising human resources structure	187.9	187.9	–	187.9	–
6. Working capital and general corporate purposes	187.9	187.9	–	187.9	–
Total	1,879.2	1,876.3	2.9	1,879.2	–

Impact of COVID-19 Pandemic

COVID-19 had a limited impact to our business, demonstrating the Group’s thorough implementation of a forward-looking approach and effective mitigation actions. We have adopted several precautionary measures and will make adjustments in view of the latest development of the pandemic. Our operations remain stable through the extensive use of information technology. The impact of the COVID-19 pandemic on our finances was minimal. We maintain a healthy liquidity position and sufficient working capital. The impairment allowance decreases as a result of the impairment being calculated under expected credit losses model and impairment of credit-impaired assets under individual assessment. The COVID-19 pandemic has also made no significant impact on our cost control, funding and business plan.

Management Discussion and Analysis

OUTLOOK AND STRATEGY

The global recovery will continue to face uncertainties in the second half of 2021. Evolving variants have posed serious challenges in the global battle against the pandemic. The worsening pandemic situation in many countries would set back global recovery severely. As the supply bottlenecks cannot be resolved for some time, upstream cost will persist and start to be passed down to downstream. The Federal Reserve has delivered hawkish signals suggesting the possibility of the easing exit, as inflation and growth overshoot expectations. Global liquidity is probably approaching an unexpected inflection point. The global economic recovery is dramatically uneven in the post-pandemic era. The recovery in many developing countries will likely be dampened by the lasting legacies of the pandemic, further constraining their ability to respond to the crisis. Emerging markets will face an increasing risk during the Federal Reserve's tightening, since they are more vulnerable to capital outflows and rising volatilities when the economy has not fully recovered.

China's short economic cycle is probably peaking and will face more downward pressure in the second half of the year. The economic recovery is uneven from the pandemic, and consumption that has not been completely recovered will be severely affected by the local outbreaks, especially for travel and intensive-contact activities. Real estate investment will gradually decelerate under control policies, and it is still uncertain whether the manufacturing sector can successfully take over and stabilised investment growth. Constrained by a high base and substitution effect, it will be difficult for exports in the second half of the year to replicate the high-speed growth in the earlier period. In light of the effect of imported inflation, the upstream cost pressure will likely persist, and a slow recovery in domestic demand will further weaken the profitability of midstream and downstream companies. China has cut the reserve requirement ratio to strengthen financial support for enterprises, providing additional relief to small and medium-sized enterprises with cost burdens. As the cyclical strength peaks, market volatility will rise. The expansion of China's central bank's balance sheet will likely moderate. The momentum in bond yields, stock prices, and the RMB will face uncertainties.

The Group will make active efforts to fulfill the responsibilities of serving the national strategies, national interests and the real economy. By seizing the opportunities arising from the national "dual circulation" new development pattern, and sticking to the business model of a balanced and synergetic development of asset business and licensed business as well as the business strategy of "dual geography, dual industry focus, dual technology investment", the Group will leverage on its extensive resources and make strenuous efforts to strengthen its capability in providing financial technology and wealth management services, continuously to offer customers with integrated financial services throughout the industrial chain with the linkage programs of "domestic business + overseas business" and "commercial banking + investment banking". The Company will formulate targeted strategies to promote the overall digital transformation, and lead business development with a focus on financial technology sector, with an aim to improve customer experience and service efficiency. The Group will strictly uphold the risk appetite of "prudence, stability and compliance" and underscore the significance of asset quality, so as to ensure a balance development of business scale, development quality and operation profitability, in an effort to create greater value for customers and shareholders continuously.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the Directors and Chief Executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Long Positions in Shares of the Company

Name of Director/Chief Executive	Capacity	Number of Shares held	Approximate percentage to the total number of issued Shares of the Company (%)
TAN Yueheng	Beneficial owner	2,000,000	0.07
XI Xuanhua	Beneficial owner	1,000,000	0.04

Long Positions in shares of associated corporation – BOCOM

Name of Director/Chief Executive	Capacity	Class of shares held in the associated corporation	Number of shares held	Approximate percentage to the total number of relevant class of issued shares of the associated corporation (%)	Approximate percentage to the total number of issued shares of the associated corporation (%)
TAN Yueheng	Beneficial owner	H shares	170,000	0.00	0.00
		A shares	140,000	0.00	0.00
SHOU Fugang	Beneficial owner	H shares	85,000	0.00	0.00
		A shares	80,000	0.00	0.00
LIN Zhihong	Beneficial owner	A shares	30,000	0.00	0.00
PO Ying	Beneficial owner	A shares	65,000	0.00	0.00
MENG Yu	Beneficial owner	A shares	45,000	0.00	0.00
SU Fen	Beneficial owner	H shares	39,000	0.00	0.00

Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2021, none of the Directors or Chief Executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

For the six months ended 30 June 2021, none of the Company or any of its subsidiaries had signed any agreements to enable the Directors to acquire benefits by means of acquisition of shares or debt securities (including debentures) of the Company or any other body corporate and none of the Directors, his/her spouses or children under the age of 18 had any rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the interests and short positions of those persons (other than the Directors or Chief Executives of the Company) in the Shares and underlying Shares of the Company as required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or to the best of Directors' knowledge, were as follows:

Name of Shareholder	Capacity	Long Position/ Short Position	Total Number of Shares held	Approximate percentage of the total number of issued Shares of the Company (%)
BOCOM	Interest in a controlled corporation, beneficiary of trust ⁽¹⁾	Long Position	2,000,000,000	73.14
BOCOM Nominee	Interest in a controlled corporation, trustee (other than bare trustee) ⁽²⁾	Long Position	2,000,000,000	73.14

Notes:

- (1) Expectation Investment is an indirect subsidiary of BOCOM and is the beneficial owner of 500,000 Shares. BOCOM is deemed to be interested in an aggregate of 2,000,000,000 Shares which BOCOM Nominee is interested in as trustee (other than a bare trustee) and which Expectation Investment is interested in as beneficial owner.
- (2) BOCOM Nominee is a subsidiary of BOCOM and (a) holds 1,999,500,000 Shares on trust for BOCOM and (b) controls 50% of voting rights of Expectation Investment which is the beneficial owner of 500,000 Shares.

Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2021, the Company is not aware of any other persons, other than the Directors and Chief Executives of the Company, whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had interests or short positions in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code of the Listing Rules as its own code of corporate governance. For further details, please refer to the “Corporate Governance Report” section contained in the Company’s 2020 annual report. During the six months ended 30 June 2021, save as disclosed below, the Company has complied with all the code provisions set out in the Corporate Governance Code.

Code provision A.2.1 of the Corporate Governance Code states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Mr. TAN Yueheng, the Chairman of the Company, also assumes the responsibilities of Chief Executive of the Company. Mr. TAN has assumed the responsibilities of the Chief Executive since 2007. The Board believes that Mr. TAN is a suitable candidate to assume the responsibilities of the Chief Executive of the Company and the above arrangement can help improve the efficiency of the decision-making and execution process of the Company. The Company has put in place an appropriate check-and-balance mechanism through the Board and the Independent Non-executive Directors. In light of the above, the Board considers that the deviation from code provision A.2.1 of the Corporate Governance Code is appropriate in the circumstances of the Company.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors confirmed that they complied with the Model Code throughout the six months ended 30 June 2021 in response to specific enquiries made by the Company.

Corporate Governance and Other Information

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors and Chief Executives are set out below:

Mr. TAN Yueheng has been appointed as a member of the Advisory Committee of the SFC with effect from 1 June 2021.

Mr. MENG Yu has been appointed as a director of Preferred Investment Management Limited with effect from 15 April 2021, a director of BOCOM International Blossom Limited with effect from 18 May 2021, and a director of BOCOM International (Shanghai) with effect from 30 August 2021.

Mr. Tse Yung Hoi has been appointed as a member of the Advisory Committee of the SFC with effect from 1 June 2021.

Mr. LIN Zhijun has resigned as an independent non-executive director of South Manganese Investment Limited (Stock code: 1091, formerly known as CITIC Dameng Holdings Limited) with effect from 31 July 2021.

Mr. SU Fen has been appointed as a director of BOCOM International Blossom Limited with effect from 18 May 2021.

REVIEW OF INTERIM RESULTS

The Audit and Risk Management Committee has reviewed with management and the Company's auditor, PricewaterhouseCoopers, the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the Company's interim report for the six months ended 30 June 2021.

The unaudited condensed consolidated interim financial information for the Reporting Period has been reviewed by the Company's auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

No dividend was paid or declared by the Company for the six months ended 30 June 2021 (2020 1H: Nil).

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF BOCOM INTERNATIONAL HOLDINGS COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 22 to 65, which comprises the condensed consolidated statement of financial position of BOCOM International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2021 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 August 2021

Condensed Consolidated Income Statement

	Notes	Six months ended	
		30/6/2021 (Unaudited) HK\$'000	30/6/2020 (Unaudited) HK\$'000
Revenue			
Commission and fee income	6	209,693	201,103
Interest income	6	348,796	326,559
Proprietary trading income	6	586,133	403,739
		<u>1,144,622</u>	<u>931,401</u>
Other income	6	45,213	69,159
Revenue and other income		<u>1,189,835</u>	<u>1,000,560</u>
Commission and brokerage expenses		(30,952)	(25,787)
Finance costs	8	(106,327)	(161,414)
Staff costs	8	(194,552)	(156,513)
Depreciation	8	(47,561)	(39,846)
Other operating expenses		(105,028)	(95,446)
Change in impairment allowance	7	(62,219)	(172,858)
Total expenses		<u>(546,639)</u>	<u>(651,864)</u>
Operating profit		643,196	348,696
Share of results of associates	13	(7,124)	(26,007)
Share of results of joint ventures		6,675	(368)
Profit before taxation	8	642,747	322,321
Income tax expense	9	(71,022)	(43,508)
Profit for the period		<u>571,725</u>	<u>278,813</u>
Attributable to:			
Shareholders of the Company		558,629	280,721
Non-controlling interests		13,096	(1,908)
		<u>571,725</u>	<u>278,813</u>
Earnings per share attributable to shareholders of the Company for the period — Basic/Diluted (in HKD per share)	11	<u>0.20</u>	<u>0.10</u>

Condensed Consolidated Statement of Comprehensive Income

	Six months ended	
	30/6/2021 (Unaudited) HK\$'000	30/6/2020 (Unaudited) HK\$'000
Profit for the period	571,725	278,813
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in fair value of debt investments at fair value through other comprehensive income	67,234	17,654
Amounts reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income	27,148	(815)
	94,382	16,839
Exchange differences on translation of foreign operations	12,698	(7,785)
	107,080	9,054
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Changes in fair value of equity investments at fair value through other comprehensive income	(2,605)	28,154
Other comprehensive income, net of tax	104,475	37,208
Total comprehensive income	676,200	316,021
Attributable to:		
Shareholders of the Company	660,166	320,629
Non-controlling interests	16,034	(4,608)
	676,200	316,021

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	30/6/2021 (Unaudited) HK\$'000	31/12/2020 (Audited) HK\$'000
Assets			
Non-current Assets			
Property and equipment		33,068	37,338
Right-of-use assets		266,701	111,830
Intangible assets		3,196	3,196
Interest in associates	13	204,545	211,159
Interest in joint ventures		131,436	124,320
Other assets		29,590	41,172
Financial assets at fair value through other comprehensive income	12	7,924,739	2,488,616
Loans and advances	14	1,660,403	1,095,098
Deferred tax assets		21,829	10,876
Total non-current assets		10,275,507	4,123,605
Current Assets			
Loans and advances	14	881,600	1,708,665
Tax recoverable		–	2,295
Accounts receivable	16	2,449,677	1,108,083
Other receivables and prepayments	17	544,676	446,139
Margin loans to customers	18	2,630,635	2,799,125
Receivable from reverse repurchase agreements	15	265,021	237,350
Amount due from a fellow subsidiary		–	5,857
Amounts due from related parties		806	1,269
Financial assets at fair value through other comprehensive income	12	838,475	492,641
Financial assets at fair value through profit or loss	12	10,569,178	10,405,548
Derivative financial assets	12	7,834	24,367
Cash and bank balances	19	2,174,250	2,004,915
Total current assets		20,362,152	19,236,254
Total assets		30,637,659	23,359,859
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	24	3,942,216	3,942,216
Retained earnings		3,542,249	3,419,833
Revaluation reserve		(4,582)	(95,069)
Foreign currency translation reserve		49,759	39,999
Total equity attributable to shareholders of the Company		7,529,642	7,306,979
Non-controlling interests		552,822	476,959
Total equity		8,082,464	7,783,938

Condensed Consolidated Statement of Financial Position (Continued)

	<i>Notes</i>	30/6/2021 (Unaudited) HK\$'000	31/12/2020 (Audited) HK\$'000
Liabilities			
Non-current Liabilities			
Subordinated loans from the ultimate holding company	20	1,000,000	1,000,000
Obligation under repurchase agreements	20	4,708,199	313,835
Lease liabilities		174,512	56,438
Deferred tax liabilities		125,763	45,789
Debt securities issued	21	3,860,780	–
Total non-current liabilities		9,869,254	1,416,062
Current Liabilities			
Borrowings	20	7,182,062	8,633,885
Obligation under repurchase agreements	20	2,275,609	3,755,772
Tax payable		10,895	13,337
Provision for staff costs		133,608	176,850
Other payables and accrued expenses		203,276	128,621
Accounts payable	22	938,325	612,645
Dividend payable		437,503	–
Contract liabilities	23	43,419	51,431
Lease liabilities		80,956	56,169
Amount due to the ultimate holding company		8,412	33,759
Amount due to a fellow subsidiary		166	–
Financial liabilities at fair value through profit or loss	12	1,363,084	663,255
Derivative financial liabilities	12	8,626	34,135
Total current liabilities		12,685,941	14,159,859
Total liabilities		22,555,195	15,575,921
Total equity and liabilities		30,637,659	23,359,859
Net current assets		7,676,211	5,076,395
Total assets less current liabilities		17,951,718	9,200,000

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Retained earnings HK\$'000	Revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000			
At 31 December 2020 (Audited)	<u>3,942,216</u>	<u>3,419,833</u>	<u>(95,069)</u>	<u>39,999</u>	<u>7,306,979</u>	<u>476,959</u>	<u>7,783,938</u>
Profit for the period	-	558,629	-	-	558,629	13,096	571,725
Other comprehensive income for the period	-	1,290*	90,487	9,760	101,537	2,938	104,475
Total comprehensive income for the period	-	<u>559,919</u>	<u>90,487</u>	<u>9,760</u>	<u>660,166</u>	<u>16,034</u>	<u>676,200</u>
Capital contribution by non-controlling interests	-	-	-	-	-	59,829	59,829
Final Dividend for 2020 (Note 10)	-	(437,503)	-	-	(437,503)	-	(437,503)
At 30 June 2021 (Unaudited)	<u>3,942,216</u>	<u>3,542,249</u>	<u>(4,582)</u>	<u>49,759</u>	<u>7,529,642</u>	<u>552,822</u>	<u>8,082,464</u>
At 31 December 2019 (Audited)	<u>3,942,216</u>	<u>2,778,837</u>	<u>(167,158)</u>	<u>(25,913)</u>	<u>6,527,982</u>	<u>99,828</u>	<u>6,627,810</u>
Profit for the period	-	280,721	-	-	280,721	(1,908)	278,813
Other comprehensive income for the period	-	(3,144)*	48,137	(5,085)	39,908	(2,700)	37,208
Total comprehensive income for the period	-	<u>277,577</u>	<u>48,137</u>	<u>(5,085)</u>	<u>320,629</u>	<u>(4,608)</u>	<u>316,021</u>
Capital contribution by non-controlling interests	-	-	-	-	-	197,523	197,523
Final Dividend for 2019 (Note 10)	-	(246,095)	-	-	(246,095)	-	(246,095)
At 30 June 2020 (Unaudited)	<u>3,942,216</u>	<u>2,810,319</u>	<u>(119,021)</u>	<u>(30,998)</u>	<u>6,602,516</u>	<u>292,743</u>	<u>6,895,259</u>

* Amounts reclassified to retained earnings upon disposal of equity investments at fair value through other comprehensive income.

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30/6/2021 (Unaudited) HK\$'000	30/6/2020 (Unaudited) HK\$'000
Operating activities		
Profit before taxation	642,747	322,321
Adjustments for:		
Dividend income	(47,683)	(27,196)
Interest income from loans or clients	(198,274)	(188,666)
Interest income from financial assets at fair value through other comprehensive income	(150,522)	(137,893)
Bank and other interest income	(17,367)	(16,443)
Finance costs	106,327	161,414
Depreciation	47,561	39,846
Change in impairment allowance	62,219	172,858
Net gain on financial assets and liabilities at fair value through profit or loss	(474,831)	(402,695)
Net (gain)/loss on derivative financial assets and liabilities	(10,125)	7,286
Net loss/(gain) on debt investments at fair value through other comprehensive income	27,148	(815)
Foreign exchange loss/(gain)	10,852	(29,124)
Share of results of associates	7,124	26,007
Share of results of joint ventures	(6,675)	368
Operating cash flows before movements in working capital	(1,499)	(72,732)
Decrease/(increase) in other assets	11,581	(9,949)
Decrease/(increase) in financial assets at fair value through profit or loss	281,769	(1,554,063)
Increase/(decrease) in financial liabilities at fair value through profit or loss	586,008	(216,148)
Decrease/(increase) in derivative financial assets	22,263	(23,235)
(Decrease)/increase in derivative financial liabilities	(21,113)	19,166
Increase in accounts receivable	(1,337,677)	(1,226,582)
Decrease in margin loans to customers	143,370	292,604
Decrease/(increase) in loans and advances	259,273	(419,068)
(Increase)/decrease in receivable from reverse repurchase agreements	(28,085)	348,362
Decrease in amounts due from related parties	463	521
Decrease in amounts due from an associate	–	299
Decrease in amount due from a fellow subsidiary	5,857	–
Increase in other receivables and prepayments	(92,317)	(114,152)
Increase in accounts payable	325,377	807,804
(Decrease)/increase in amount due to the ultimate holding company	(25,347)	31,354
Increase in amount due to a fellow subsidiary	166	431
Decrease in provision for staff costs	(43,242)	(30,979)
Increase in other payables and accrued expenses	61,976	60,592
Decrease in contract liabilities	(8,012)	(7,597)
Net cash generated from/(used in) operations	140,811	(2,113,372)

Condensed Consolidated Statement of Cash Flows (Continued)

	Six months ended	
	30/6/2021 (Unaudited) HK\$'000	30/6/2020 (Unaudited) HK\$'000
Income tax paid	(2,233)	(17,700)
Interest received from loans or clients	211,982	193,794
Bank and other interest income received	12,613	17,968
Interest expenses paid	(102,745)	(160,043)
Net cash generated from/(used in) operating activities	260,428	(2,079,353)
Investing activities		
Dividend received	47,682	27,196
Bond interest income received	260,423	253,367
Purchase of property and equipment	(1,907)	(978)
Step acquisition of a subsidiary, net of cash acquired	23,579	–
Purchase of associates	(235)	–
Distribution from associates	1,181	86
Capital injection to joint ventures	–	(14,523)
Distribution from joint ventures	–	15
Purchase of financial assets at fair value through other comprehensive income	(6,671,233)	(1,106,657)
Proceeds on disposal of financial assets at fair value through other comprehensive income	936,581	677,312
Net cash used in investing activities	(5,403,929)	(164,182)
Financing activities		
Net drawdown of bank loans and other borrowings	1,438,248	2,451,783
Proceeds on issuance of debt securities	3,858,219	–
Capital contribution by non-controlling interests	59,829	197,523
Principal elements of lease payments	(49,323)	(31,060)
Net cash generated from financing activities	5,306,973	2,618,246
Net increase in cash and cash equivalents	163,472	374,711
Cash and cash equivalents at 1 January	2,000,291	540,455
Effect of exchange rate changes on cash and cash equivalents	5,863	(1,310)
Cash and cash equivalents at 30 June	2,169,626	913,856

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

BOCOM International Holdings Company Limited (the “Company”) is a company incorporated in Hong Kong. The address of its registered office is 9/F, Man Yee Building, 68 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding. The Group is principally engaged in securities brokerage, margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses. The regulated activities carried out by the Company’s licensed subsidiaries include dealing in securities and futures and advising on securities and futures contracts, providing securities margin financing, advising on corporate finance and providing asset management services.

The parent and ultimate holding company is Bank of Communications Co., Ltd., a company incorporated in the People’s Republic of China (“PRC”) and listed on the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company, unless otherwise stated.

The financial information relating to the year ended 31 December 2020, that is included in the condensed consolidated interim report for the six months ended 30 June 2021 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance (Cap. 622).

2. BASIS OF PREPARATION

This condensed consolidated interim financial statements for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34, “Interim financial reporting” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with HKFRSs.

Notes to the Condensed Consolidated Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2020, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2021.

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants to these financial statements for the current accounting period.

- Amendment to HKFRS 16, Covid-19-related rent concessions beyond 30 June 2021
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest rate benchmark reform — Phase 2

Amendments to HKFRSs effective for the financial year ending 31 December 2021 do not have a material impact on the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020, with the exception of changes in estimates that are required in determining the impairment losses and valuation of financial assets and fair value of financial instruments. The level of estimation uncertainty and judgement for the calculation of impairment allowance and valuation has significantly increased as a result of the economic effects of the COVID-19 pandemic, where the estimates are often based on future economic condition and sensitive to such condition changes.

Notes to the Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION

The Group manages the business operations by the following segments in accordance with the nature of the operations and services provided:

- (a) Brokerage segment provides securities trading and brokerage services.
- (b) Corporate finance and underwriting segment provides corporate finance services including equity underwriting, debt underwriting, sponsor services and financial advisory services to institutional clients.
- (c) Asset management and advisory segment offers traditional asset management products and services to third party clients. In addition, it also offers investment advisory services, portfolio management services and transaction execution services.
- (d) Margin financing segment provides securities-backed financial leverage for both retail and institutional clients.
- (e) Investment and loans segment engages in direct investment business including investments in various debt and equity securities, investments in companies and investments in loans.
- (f) Others include headquarter operations such as bank interest income, and interest expense incurred for general working capital purposes.

Inter-segment transactions, if any, are conducted with reference to the prices charged to external third parties. There was no change in basis during the relevant periods.

Notes to the Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION (continued)

The following is an analysis of the segment revenue and segment profit or loss from continuing operations:

	Six months ended 30 June 2021 (Unaudited)							Total HK\$'000
	Brokerage HK\$'000	Corporate finance and underwriting HK\$'000	Asset management and advisory HK\$'000	Margin financing HK\$'000	Investment and loans HK\$'000	Others HK\$'000	Elimination HK\$'000	
Total revenue								
Revenue								
Commission and fee income								
— External	102,679	80,572	26,442	-	-	-	-	209,693
— Internal	1,309	-	5,659	-	-	-	(6,968)	-
Interest income								
— External	-	-	-	99,582	249,214	-	-	348,796
— Internal	-	-	-	-	25,581	-	(25,581)	-
Proprietary trading income								
— External	-	-	-	-	586,133	-	-	586,133
— Internal	-	-	-	-	-	-	-	-
Other income	9,788	-	346	-	23,304	11,775	-	45,213
	<u>113,776</u>	<u>80,572</u>	<u>32,447</u>	<u>99,582</u>	<u>884,232</u>	<u>11,775</u>	<u>(32,549)</u>	<u>1,189,835</u>
Total expenses	(105,340)	(46,068)	(64,505)	(70,559)	(285,252)	(7,464)	32,549	(546,639)
Share of results of associates	-	-	-	-	(7,124)	-	-	(7,124)
Share of results of joint ventures	-	-	-	-	6,675	-	-	6,675
Profit/(loss) before taxation	<u>8,436</u>	<u>34,504</u>	<u>(32,058)</u>	<u>29,023</u>	<u>598,531</u>	<u>4,311</u>	<u>-</u>	<u>642,747</u>
Other disclosures								
Depreciation	(16,838)	(2,279)	(9,000)	(3,508)	(12,910)	(3,026)	-	(47,561)
Change in impairment allowance	(79)	(2)	-	(25,120)	(37,018)	-	-	(62,219)
Finance costs	(342)	(83)	(336)	(16,580)	(114,482)	(85)	25,581	(106,327)

Notes to the Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION (continued)

	Six months ended 30 June 2020 (Unaudited)							Total HK\$'000
	Brokerage HK\$'000	Corporate finance and underwriting HK\$'000	Asset management and advisory HK\$'000	Margin financing HK\$'000	Investment and loans HK\$'000	Others HK\$'000	Elimination HK\$'000	
Total revenue								
Revenue								
Commission and fee income								
— External	82,030	44,647	74,426	-	-	-	-	201,103
— Internal	232	-	1,969	-	-	-	(2,201)	-
Interest income								
— External	-	-	-	83,560	242,999	-	-	326,559
— Internal	-	-	-	-	20,667	-	(20,667)	-
Proprietary trading income								
— External	-	-	-	-	403,739	-	-	403,739
— Internal	-	-	-	-	-	-	-	-
Other income	8,049	-	2,438	-	13,433	45,239	-	69,159
	<u>90,311</u>	<u>44,647</u>	<u>78,833</u>	<u>83,560</u>	<u>680,838</u>	<u>45,239</u>	<u>(22,868)</u>	<u>1,000,560</u>
Total expenses	(115,062)	(55,410)	(55,764)	(90,824)	(357,672)	-	22,868	(651,864)
Share of results of associates	-	-	-	-	(26,007)	-	-	(26,007)
Share of results of joint ventures	-	-	-	-	(368)	-	-	(368)
(Loss)/profit before taxation	<u>(24,751)</u>	<u>(10,763)</u>	<u>23,069</u>	<u>(7,264)</u>	<u>296,791</u>	<u>45,239</u>	<u>-</u>	<u>322,321</u>
Other disclosures								
Depreciation	(15,721)	(2,970)	(5,360)	(2,618)	(13,177)	-	-	(39,846)
Change in impairment allowance	(111)	(3)	-	(42,539)	(130,205)	-	-	(172,858)
Finance costs	(310)	(111)	(118)	(28,854)	(152,688)	-	20,667	(161,414)

	Six months ended	
	30/6/2021 HK\$'000 (Unaudited)	30/6/2020 HK\$'000 (Unaudited)
Total revenue from external customer by location of operations:		
— Hong Kong	1,155,307	960,562
— Mainland China	34,528	39,998
	<u>1,189,835</u>	<u>1,000,560</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

6. REVENUE AND OTHER INCOME

	Six months ended	
	30/6/2021 HK\$'000 (Unaudited)	30/6/2020 HK\$'000 (Unaudited)
REVENUE		
COMMISSION AND FEE INCOME		
Brokerage commission	102,679	82,030
Corporate finance and underwriting fee	80,572	44,647
Asset management and advisory income	26,442	74,426
	<u>209,693</u>	<u>201,103</u>
INTEREST INCOME*		
Interest income from margin financing	99,582	83,560
Interest income from loans and advances	93,184	84,098
Interest income from receivable from reverse repurchase agreements	5,508	21,008
Interest income from financial assets at fair value through other comprehensive income	150,522	137,893
	<u>348,796</u>	<u>326,559</u>
PROPRIETARY TRADING INCOME*		
Net trading and investment income		
— Net gain on financial assets at fair value through profit or loss**	554,868	413,599
— Net loss on financial assets at fair value through other comprehensive income	(16,608)	(15,517)
— Net loss on financial liabilities at fair value through profit or loss	(16,083)	(10,509)
— Net gain/(loss) on derivative financial instruments	21,396	(8,515)
— Fair value changes from financial liabilities to the investors of the funds consolidated	(5,123)	(2,515)
Dividend income from		
— Financial assets at fair value through profit or loss	47,683	21,277
— Financial assets at fair value through other comprehensive income	—	5,919
	<u>586,133</u>	<u>403,739</u>
	<u>1,144,622</u>	<u>931,401</u>

* As disclosed in 2020 annual report, during the year ended 31 December 2020, the Group has considered the disclosures of interest income and proprietary trading income with reference to the Group's business and the accounting standard requirements. Accordingly, the comparative figures for the six months ended 30 June 2020 have been re-presented. The re-presentation had no impact on total revenue and the profit before taxation for the corresponding period.

** The net gain on financial assets at fair value through profit or loss for the six months ended 30 June 2021 comprised of net trading gain (including the realised and unrealised amounts) and interest income with the amount of HK\$430,166 thousand (six months ended 30 June 2020: HK\$279,990 thousand) and HK\$124,702 thousand (six months ended 30 June 2020: HK\$133,609 thousand) respectively.

Notes to the Condensed Consolidated Financial Statements (Continued)

6. REVENUE AND OTHER INCOME (continued)

	Six months ended	
	30/6/2021 HK\$'000 (Unaudited)	30/6/2020 HK\$'000 (Unaudited)
OTHER INCOME		
Handling fees	9,654	6,943
Bank and other interest income	17,367	16,443
Exchange gains	–	29,124
Others	18,192	16,649
	<u>45,213</u>	<u>69,159</u>

7. CHANGE IN IMPAIRMENT ALLOWANCE

	Six months ended	
	30/6/2021 HK\$'000 (Unaudited)	30/6/2020 HK\$'000 (Unaudited)
Change in impairment allowance on:		
Receivable from reverse repurchase agreements	413	11
Accounts receivable	81	113
Margin loans to customers	25,120	42,539
Loans and advances	2,487	(3,828)
Debt investments at fair value through other comprehensive income	34,005	134,227
Other receivables	113	(202)
Amounts due from related parties	–	(2)
	<u>62,219</u>	<u>172,858</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

8. PROFIT BEFORE TAXATION

	Six months ended	
	30/6/2021 HK\$'000 (Unaudited)	30/6/2020 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Finance costs:		
— Interest expenses on subordinated loans from the ultimate holding company	8,096	16,349
— Interest expenses on bank loans from the ultimate holding company	7,407	11,963
— Interest expenses on bank loans and overdraft from other financial institutions	61,021	95,446
— Interest expenses on obligation under repurchase agreements	16,471	26,533
— Interest expenses on lease liabilities	1,165	1,381
— Interest expenses on financial liabilities	2,414	—
— Interest expenses on debt securities issued to the ultimate holding company	46	—
— Interest expenses on debt securities issued to other financial institutions	346	—
— Others	103	44
	<u>97,069</u>	<u>151,716</u>
— Other borrowing costs to the ultimate holding company	875	875
— Other borrowing costs to other financial institutions	8,383	8,823
	<u>106,327</u>	<u>161,414</u>
Depreciation	47,561	39,846
Operating lease charges	3,737	1,694
Staff costs	194,552	156,513

Notes to the Condensed Consolidated Financial Statements (Continued)

9. INCOME TAX EXPENSE

	Six months ended	
	30/6/2021 HK\$'000 (Unaudited)	30/6/2020 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	12,000	40,031
PRC Enterprise Income Tax	985	9,201
Over provision in prior periods	(10,889)	(6,282)
Total current tax	2,096	42,950
Deferred tax	68,926	558
Income tax expense recognised in profit or loss	71,022	43,508

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the current and prior period. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the People's Republic of China's entities is 25%.

Notes to the Condensed Consolidated Financial Statements (Continued)

10. DIVIDENDS

Dividends approved during the interim period

	Six months ended	
	30/6/2021 HK\$'000 (Unaudited)	30/6/2020 HK\$'000 (Unaudited)
Final dividend for previous financial year declared and approved of HK\$0.16 per ordinary share (2020: HK\$0.09 per ordinary share)	437,503	246,095

Dividends attributable to the interim period

No dividend was paid or declared by the Company for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

11. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended	
	30/6/2021 (Unaudited)	30/6/2020 (Unaudited)
Profit attributable to shareholders of the Company (in HK\$'000)	558,629	280,721
Weighted average number of ordinary shares in issue (in '000 shares)	2,734,392	2,734,392
Earnings per share (in HKD per share)	0.20	0.10

There were no potential diluted ordinary shares and the diluted earnings per share was the same as the basic earnings per share.

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES

The table below summarised the information relating to the fair value hierarchy of financial assets and financial liabilities measured at fair value on a recurring basis.

Financial assets at fair value through other comprehensive income

	At 30 June 2021 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Designated at fair value through other comprehensive income upon initial recognition				
Equity securities	763	–	–	763
Preference shares	320,771	–	–	320,771
Unlisted equity	–	–	7,151	7,151
	<u>321,534</u>	<u>–</u>	<u>7,151</u>	<u>328,685</u>
Mandatorily measured at fair value through other comprehensive income				
Debt investments*	<u>7,873,070</u>	<u>561,459</u>	<u>–</u>	<u>8,434,529</u>
	<u>8,194,604</u>	<u>561,459</u>	<u>7,151</u>	<u>8,763,214</u>
Analysed for reporting purposes:				
Non-current				7,924,739
Current				838,475
				<u>8,763,214</u>

* During the Reporting Period, a debt investment was transferred from Level 1 to Level 2 due to the fact that this financial instrument was not actively traded in the market.

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets at fair value through other comprehensive income (continued)

	At 31 December 2020 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Designated at fair value through other comprehensive income upon initial recognition				
Equity securities	8,101	–	–	8,101
Preference shares	323,394	–	–	323,394
Unlisted equity	–	–	7,107	7,107
	<u>331,495</u>	<u>–</u>	<u>7,107</u>	<u>338,602</u>
Mandatorily measured at fair value through other comprehensive income				
Debt investments	2,600,884	41,771	–	2,642,655
	<u>2,932,379</u>	<u>41,771</u>	<u>7,107</u>	<u>2,981,257</u>
Analysed for reporting purposes:				
Non-current				2,488,616
Current				492,641
				<u>2,981,257</u>

Financial assets at fair value through profit or loss

	At 30 June 2021 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity securities**	2,127,681	354,252	–	2,481,933
Debt investments	3,011,861	680,045	–	3,691,906
Preference shares**	–	–	1,014,047	1,014,047
Club debenture	–	–	2,102	2,102
Unlisted funds**	–	761,183	1,569,798	2,330,981
Structured financial products	–	–	17,550	17,550
Unlisted equities	–	–	1,030,659	1,030,659
	<u>5,139,542</u>	<u>1,795,480</u>	<u>3,634,156</u>	<u>10,569,178</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES (continued)

Financial assets at fair value through profit or loss (continued)

	At 31 December 2020 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity securities	2,390,883	–	–	2,390,883
Debt investments	3,751,563	324,744	–	4,076,307
Preference shares	148,385	–	1,211,635	1,360,020
Club debenture	–	–	2,089	2,089
Funds	50,100	–	–	50,100
Unlisted funds	–	–	1,744,158	1,744,158
Structured financial products	–	–	195,476	195,476
Unlisted equities	–	–	586,515	586,515
	<u>6,340,931</u>	<u>324,744</u>	<u>3,739,873</u>	<u>10,405,548</u>

As at 30 June 2021, there was no structured financial products in the ultimate holding company (31 December 2020: HK\$178,065 thousand).

Derivative financial assets

	At 30 June 2021 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts***	4,414	–	–	4,414
Total return swaps	–	3,420	–	3,420
	<u>4,414</u>	<u>3,420</u>	<u>–</u>	<u>7,834</u>

	At 31 December 2020 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts***	24,199	–	–	24,199
Currency swaps	–	168	–	168
	<u>24,199</u>	<u>168</u>	<u>–</u>	<u>24,367</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES (continued)

Financial liabilities at fair value through profit or loss

	At 30 June 2021 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial liabilities to the investors of the funds consolidated	(429,324)	–	–	(429,324)
Debt investments	(151,676)	(5,500)	–	(157,176)
Notes payable	–	(733,144)	–	(733,144)
Structured note payable**	–	(43,440)	–	(43,440)
	<u>(581,000)</u>	<u>(782,084)</u>	<u>–</u>	<u>(1,363,084)</u>

	At 31 December 2020 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial liabilities to the investors of the funds consolidated	(168,222)	–	–	(168,222)
Notes payable	–	(472,986)	–	(472,986)
Structured note payable	–	–	(22,047)	(22,047)
	<u>(168,222)</u>	<u>(472,986)</u>	<u>(22,047)</u>	<u>(663,255)</u>

Derivative financial liabilities

	At 30 June 2021 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts***	(3,030)	(4,379)	–	(7,409)
Credit default swap index	–	(1,160)	–	(1,160)
Others	–	–	(57)	(57)
	<u>(3,030)</u>	<u>(5,539)</u>	<u>(57)</u>	<u>(8,626)</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES (continued)

Derivative financial liabilities (continued)

	At 31 December 2020 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts***	-	(24,035)	-	(24,035)
Total return swaps	-	(2,310)	-	(2,310)
Others	-	-	(7,790)	(7,790)
	<u>-</u>	<u>(26,345)</u>	<u>(7,790)</u>	<u>(34,135)</u>

** During the Reporting Period, certain financial assets and liabilities was transferred from Level 3 to Level 2 due to the change from unobservable to observable market inputs upon the completion of listing of underlying assets.

*** Futures contracts represented derivative transactions in respect of commodities.

Details of disclosure for fair value measurement are set out in Note 27.

13. INTEREST IN ASSOCIATES

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Unlisted investment at the beginning of the period/year	176,686	372,006
Addition for the period/year	235	55
Transfer during the period/year	-	(195,375)
	<u>176,921</u>	<u>176,686</u>
Profit after acquisition		
— As at 1 January	26,477	26,723
— Share of loss for the period/year	(7,124)	(10,413)
Distribution for the period/year	(1,181)	(86)
Transfer during the period/year	-	10,253
Accumulated exchange difference arising from translation of foreign operations	9,452	7,996
	<u>204,545</u>	<u>211,159</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

14. LOANS AND ADVANCES

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Gross loans and advances	2,545,672	2,804,945
Less: impairment allowance	(3,669)	(1,182)
	<u>2,542,003</u>	<u>2,803,763</u>
Net loans and advances:		
Non-current	1,660,403	1,095,098
Current	881,600	1,708,665
	<u>2,542,003</u>	<u>2,803,763</u>

There was no past due but not impaired loans and advances as at 30 June 2021 and 31 December 2020.

15. RECEIVABLE FROM REVERSE REPURCHASE AGREEMENTS

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Gross receivable from reverse repurchase agreements	265,440	237,356
Less: impairment allowance	(419)	(6)
	<u>265,021</u>	<u>237,350</u>

As at 30 June 2021 the fair value of the collateral allowed for repledging for the outstanding receivable was HK\$408,602 thousand (31 December 2020: HK\$544,650 thousand).

Notes to the Condensed Consolidated Financial Statements (Continued)

16. ACCOUNTS RECEIVABLE

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Corporate finance and underwriting business	37,958	28,685
Dealing in securities and futures business		
— Clients	2,022,625	388,091
— Brokers	232,862	498,562
— Clearing house	159,754	196,186
	<u>2,415,241</u>	<u>1,082,839</u>
Less: impairment allowance	<u>(3,522)</u>	<u>(3,441)</u>
	<u>2,449,677</u>	<u>1,108,083</u>

The following is an ageing analysis of accounts receivable based on the date of invoice or contract note at the reporting date:

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Neither past due nor credit-impaired	2,430,943	1,097,714
Less than 31 days past due	10,407	2,270
31–60 days past due	48	–
61–90 days past due	–	–
Over 90 days past due	11,801	11,540
	<u>22,256</u>	<u>13,810</u>
Less: impairment allowance	<u>(3,522)</u>	<u>(3,441)</u>
	<u>2,449,677</u>	<u>1,108,083</u>

Client receivables from securities dealing are receivable on the settlement dates of their respective transactions, normally two or three business days after the respective trade dates.

The receivable from brokers are neither past due nor credit-impaired.

Brokers and clearing house receivables are repayable on the settlement dates of their respective trade dates, normally two or three business days after the respective trade dates.

The settlement of the receivables from corporate finance and underwriting business is done based on the completion of each phase of the project.

Notes to the Condensed Consolidated Financial Statements (Continued)

17. OTHER RECEIVABLES AND PREPAYMENTS

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Other receivables	536,772	430,666
Less: impairment allowance	(11,983)	(11,870)
	524,789	418,796
Prepayments	19,887	27,343
	544,676	446,139

18. MARGIN LOANS TO CUSTOMERS

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Gross margin loans to customers	2,738,433	2,881,803
Less: impairment allowance	(107,798)	(82,678)
	2,630,635	2,799,125

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view of the nature of the margin loan business. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group.

Notes to the Condensed Consolidated Financial Statements (Continued)

19. CASH AND BANK BALANCES

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Current and savings accounts	2,169,626	2,000,291
Time deposits with original maturity of more than three months	1,634	1,634
Restricted cash	2,990	2,990
	<u>2,174,250</u>	<u>2,004,915</u>

As at 30 June 2021, bank balances held at the ultimate holding company and a fellow subsidiary were HK\$1,936,691 thousand (31 December 2020: HK\$1,885,721 thousand) and HK\$5,094 thousand (31 December 2020: HK\$1,515 thousand) respectively.

20. BORROWINGS

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Bank loans and other borrowings		
Current — ultimate holding company (Note 25)	800,000	450,000
Current — authorised institutions	6,382,062	8,183,885
	<u>7,182,062</u>	<u>8,633,885</u>
Obligation under repurchase agreements		
Non-current	4,708,199	313,835
Current	2,275,609	3,755,772
	<u>6,983,808</u>	<u>4,069,607</u>
Subordinated loans (Note 25)		
Non-current	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
Total	<u>15,165,870</u>	<u>13,703,492</u>

As at 30 June 2021, the carrying amount included within financial assets sold under repurchase agreements was HK\$8,391,029 thousand (31 December 2020: HK\$5,272,042 thousand).

Notes to the Condensed Consolidated Financial Statements (Continued)

20. BORROWINGS (continued)

At the reporting date, bank and other borrowings were repayable as follows:

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Bank loans and other borrowings		
Within 1 year	9,457,671	12,389,657
Between 1 and 2 years	783,039	183,690
Between 2 and 5 years	3,745,068	130,145
Over 5 years	180,092	–
	14,165,870	12,703,492
Undated	1,000,000	1,000,000
	15,165,870	13,703,492

As at 30 June 2021 and 31 December 2020, all bank borrowings were unsecured.

21. DEBT SECURITIES ISSUED

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Debt securities issued	3,860,780	–

The outstanding balance of HK\$3,860,780 thousand (31 December 2020: Nil) measured at amortised cost represents the amount of unsecured notes issued by a wholly owned subsidiary of the Company under the US\$500 million medium term note programme. As at 30 June 2021, the debt securities issued bore fixed interest rate of 1.75% per annum (31 December 2020: Nil). Among which, debt securities of US\$51 million was held by the ultimate holding company. The carrying amount of the debt securities issued approximate to their fair value.

Notes to the Condensed Consolidated Financial Statements (Continued)

22. ACCOUNTS PAYABLE

Accounts payable arising from the business of dealing in securities and options are as follows:

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Clients — trade settlement	504,022	512,487
Clearing house	109,780	100,158
Brokers	324,523	—
	<u>938,325</u>	<u>612,645</u>

No ageing analysis is disclosed, as in the opinion of the Directors, an ageing analysis does not give additional view of the nature of these businesses.

The settlement terms of accounts payable arising from client businesses are normally two or three days after trade date or at specific terms agreed with clients, brokers or clearing houses.

23. CONTRACT LIABILITIES

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Contract liabilities	<u>43,419</u>	<u>51,431</u>

The obligation of the Group to transfer advisory and management and other services to customers according to consideration received was presented as contract liabilities.

24. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30/6/2021 Thousand Shares (Unaudited)	Year ended 31/12/2020 Thousand Shares (Audited)	Six months ended 30/6/2021 HK\$'000 (Unaudited)	Year ended 31/12/2020 HK\$'000 (Audited)
Issued and fully paid				
At the end of the reporting period	<u>2,734,392</u>	<u>2,734,392</u>	<u>3,942,216</u>	<u>3,942,216</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. RELATED PARTY TRANSACTIONS

During the period, in addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material transactions with related parties:

(a) Ultimate holding company

	Six months ended	
	30/6/2021 HK\$'000 (Unaudited)	30/6/2020 HK\$'000 (Unaudited)
Transaction		
Interest income from deposits	12,788	843
Finance costs	16,424	29,187
Commission expenses	1,187	940
Asset management and advisory income	1,478	1,227
Fund management fee income	9,864	9,893
Rental expenses	1,278	148
Other operating expenses	1,046	733
Trading gain from derivatives transactions*	–	222,184
Trading loss from derivatives transactions*	39,021	–
Realised gain on financial assets at fair value through profit or loss	1,091	25
Unrealised loss on financial assets at fair value through profit or loss	–	12

* Trading gain/loss from derivative transactions represented gain/loss from over-the-counter derivative transactions in respect of commodities entered into between the Group and the ultimate holding company. The Group had effectively offset the risk by entering into exchange-traded futures contracts with third parties.

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Balance of transaction		
Derivative financial liabilities	4,379	24,035
Borrowings	800,000	450,000
Subordinated loans	1,000,000	1,000,000
Amount due to the ultimate holding company	8,412	33,759

Notes to the Condensed Consolidated Financial Statements (Continued)

25. RELATED PARTY TRANSACTIONS (continued)

(b) Fellow subsidiaries, associates and joint ventures

	Six months ended	
	30/6/2021 HK\$'000 (Unaudited)	30/6/2020 HK\$'000 (Unaudited)
Transaction		
Interest income from deposits	32	14
Commission income	6,843	5,226
Commission expenses	2,666	1,716
Asset management and advisory income	3,230	2,275
Fund management fee income	–	8,377
Underwriting fee income	–	2,765
Rental expenses	10,820	4,242
Other operating expenses	1,000	1,340
	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Balance of transaction		
Accounts receivable	163,852	–
Accounts payable	–	166,218
Amount due from a fellow subsidiary	–	5,857
Amount due to a fellow subsidiary	166	–

(c) Related parties

	Six months ended	
	30/6/2021 HK\$'000 (Unaudited)	30/6/2020 HK\$'000 (Unaudited)
Transaction		
Fund management fee income	3,825	10,316

Notes to the Condensed Consolidated Financial Statements (Continued)

25. RELATED PARTY TRANSACTIONS (continued)

(c) Related parties (continued)

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Balance of transaction		
Gross amounts due from related parties	807	1,270
Less: impairment allowance	<u>(1)</u>	<u>(1)</u>
	<u>806</u>	<u>1,269</u>

26. COMMITMENTS

Investment commitments

At the end of the Reporting Period, the Group had certain investment commitments contracted for at the end of the reporting period but not yet incurred. The amounts will be drawn down on as-needed basis. The table below provides further information regarding the commitments.

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Unfunded commitments	<u>37,443</u>	<u>84,816</u>

Loan commitments

The following table indicates the contractual amounts of the Group's credit related commitments which the Group has committed to its customers:

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Under 1 year	<u>11,580</u>	<u>–</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, other assets, accounts and other receivables, loans and advances, margin loans to customers, receivable from reverse repurchase agreements, amounts due from a fellow subsidiary and related parties, cash and bank balances, accounts payable, borrowings, obligation under repurchase agreements, debt securities issued, lease liabilities, subordinated loans from the ultimate holding company and amounts due to the ultimate holding company and a fellow subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and other price risk), and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group, from time to time, uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the Risk Management Department under policies approved by the Board of Directors. Risk Management Department identifies and evaluates certain risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The COVID-19 pandemic has remained significant under the level of uncertainty of global economics, which brought challenges to the Group on the financial risks management including credit risk, market risk and liquidity risk. During the Reporting Period, there were no material changes to the principles and policies for the management of risk. However, in response to the pandemic, appropriate measures were exercised by the Group as and when required. The Group has been actively managing the risk resulting from the pandemic and its impact on the Group's operations and its financial risks during 2021.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures related to the unaudited condensed consolidated financial statements, and should be read in conjunction with disclosure in the consolidated financial statements for the year ended 31 December 2020.

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments

Analysis of the gross carrying amount of financial instruments for which an expected credit loss ("ECL") allowance is recognised as follows according to the stage of ECL:

	Stage of assets			Total HK\$'000
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	
(a) Margin loans to customers				
Gross carrying amount as at 1 January 2021	2,548,049	85,061	248,693	2,881,803
Increases	536,103	–	862	536,965
Decreases	(610,995)	(1,340)	(68,000)	(680,335)
Transfers between stages				
— Increase	29	–	71,265	71,294
— Decrease	–	(71,294)	–	(71,294)
As at 30 June 2021	<u>2,473,186</u>	<u>12,427</u>	<u>252,820</u>	<u>2,738,433</u>
Gross carrying amount as at 1 January 2020	2,179,041	305,401	290,482	2,774,924
Increases	1,217,350	1	1,737	1,219,088
Decreases	(993,776)	(18,972)	(51,524)	(1,064,272)
Write-off	–	–	(47,937)	(47,937)
Transfers between stages				
— Increase	177,838	32,404	214,410	424,652
— Decrease	(32,404)	(233,773)	(158,475)	(424,652)
As at 31 December 2020	<u>2,548,049</u>	<u>85,061</u>	<u>248,693</u>	<u>2,881,803</u>
(b) Other receivables, amounts due from a fellow subsidiary and related companies				
Gross carrying amount as at 1 January 2021	422,967	3,323	11,503	437,793
Increases	205,365	1	1,741	207,107
Decreases	(104,330)	(2,991)	–	(107,321)
Transfers between stages				
— Increase	–	4,848	189	5,037
— Decrease	(4,848)	(189)	–	(5,037)
As at 30 June 2021	<u>519,154</u>	<u>4,992</u>	<u>13,433</u>	<u>537,579</u>
Gross carrying amount as at 1 January 2020	298,597	–	–	298,597
Increases	261,766	–	6,265	268,031
Decreases	(127,970)	(865)	–	(128,835)
Transfers between stages				
— Increase	–	4,997	5,238	10,235
— Decrease	(9,426)	(809)	–	(10,235)
As at 31 December 2020	<u>422,967</u>	<u>3,323</u>	<u>11,503</u>	<u>437,793</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	Stage of assets			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL (credit- impaired) HK\$'000	
(c) Debt investments at FVOCI				
Gross carrying amount as at 1 January 2021	2,256,696	327,393	58,566	2,642,655
Increases	6,509,838	1,696	–	6,511,534
Decreases	(440,320)	(270,949)	(8,391)	(719,660)
Transfers between stages				
— Increase	–	74,708	–	74,708
— Decrease	(74,708)	–	–	(74,708)
As at 30 June 2021*	<u>8,251,506</u>	<u>132,848</u>	<u>50,175</u>	<u>8,434,529</u>
Gross carrying amount as at 1 January 2020	3,614,637	95,506	80,434	3,790,577
Increases	710,767	4,806	1,317	716,890
Decreases	(1,610,658)	(130,657)	(123,497)	(1,864,812)
Transfers between stages				
— Increase	–	458,050	100,312	558,362
— Decrease	(458,050)	(100,312)	–	(558,362)
As at 31 December 2020	<u>2,256,696</u>	<u>327,393</u>	<u>58,566</u>	<u>2,642,655</u>
(d) Loans and advances				
Gross carrying amount as at 1 January 2021	2,673,593	131,352	–	2,804,945
Increases	368,960	255	–	369,215
Decreases	(628,488)	–	–	(628,488)
Transfers between stages				
— Increase	–	131,512	131,352	262,864
— Decrease	(131,512)	(131,352)	–	(262,864)
As at 30 June 2021	<u>2,282,553</u>	<u>131,767</u>	<u>131,352</u>	<u>2,545,672</u>
Gross carrying amount as at 1 January 2020	2,334,252	–	–	2,334,252
Increases	974,896	–	–	974,896
Decreases	(504,203)	–	–	(504,203)
Transfers between stages				
— Increase	–	131,352	–	131,352
— Decrease	(131,352)	–	–	(131,352)
As at 31 December 2020	<u>2,673,593</u>	<u>131,352</u>	<u>–</u>	<u>2,804,945</u>

* Debt investments measured at FVOCI are measured at fair value with the allowance for ECL (as disclosed on page 58) as a memorandum item. Change in ECL allowance is disclosed in Note 7.

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	Stage of assets			Total HK\$'000
	Stage 1	Stage 2	Stage 3 Lifetime ECL	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	(credit- impaired) HK\$'000	
(e) Receivable from reverse repurchase agreements				
Gross carrying amount as at 1 January 2021	237,356	–	–	237,356
Increases	28,084	–	–	28,084
Decreases	–	–	–	–
As at 30 June 2021	<u>265,440</u>	<u>–</u>	<u>–</u>	<u>265,440</u>
Gross carrying amount as at 1 January 2020	604,583	–	–	604,583
Increases	–	–	–	–
Decreases	(367,227)	–	–	(367,227)
As at 31 December 2020	<u>237,356</u>	<u>–</u>	<u>–</u>	<u>237,356</u>

	Stage of assets				Total HK\$'000
	Stage 1	Stage 2	Stage 3 Lifetime ECL	Lifetime ECL	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	(credit- impaired) HK\$'000	(simplified approach) HK\$'000	
(f) Accounts receivable					
Gross carrying amount as at 1 January 2021	1,082,786	–	53	28,685	1,111,524
Increases	1,333,263	–	–	9,273	1,342,536
Reverses	(861)	–	–	–	(861)
Write-off	–	–	–	–	–
As at 30 June 2021	<u>2,415,188</u>	<u>–</u>	<u>53</u>	<u>37,958</u>	<u>2,453,199</u>
Gross carrying amount as at 1 January 2020	499,434	–	53	14,498	513,985
Increases	583,352	–	–	16,517	599,869
Reverses	–	–	–	(389)	(389)
Write-off	–	–	–	(1,941)	(1,941)
As at 31 December 2020	<u>1,082,786</u>	<u>–</u>	<u>53</u>	<u>28,685</u>	<u>1,111,524</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

As at 30 June 2021 and 31 December 2020, the Group's credit risk exposure of financial instruments for which an ECL allowance is recognised as follows according to the stage of ECL:

	Stage of assets			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL (credit- impaired) HK\$'000	
(a) Margin loans to customers				
As at 1 January 2021	3,949	1,116	77,613	82,678
Increases	155	–	26,256	26,411
Reverses	(677)	–	(614)	(1,291)
Transfers between stages				
— Increase	–	–	1,116	1,116
— Decrease	–	(1,116)	–	(1,116)
As at 30 June 2021	<u>3,427</u>	<u>–</u>	<u>104,371</u>	<u>107,798</u>
As at 1 January 2020	2,183	4,761	88,740	95,684
Increases	2,030	483	59,473	61,986
Reverses	(3,007)	(4)	(24,044)	(27,055)
Write-off	–	–	(47,937)	(47,937)
Transfers between stages				
— Increase	2,756	13	4,127	6,896
— Decrease	(13)	(4,137)	(2,746)	(6,896)
As at 31 December 2020	<u>3,949</u>	<u>1,116</u>	<u>77,613</u>	<u>82,678</u>
(b) Other receivables, amounts due from a fellow subsidiary and related parties				
As at 1 January 2021	324	36	11,511	11,871
Increases	212	9	21	242
Reverses	(87)	(34)	(8)	(129)
Transfers between stages				
— Increase	–	8	–	8
— Decrease	(8)	–	–	(8)
As at 30 June 2021	<u>441</u>	<u>19</u>	<u>11,524</u>	<u>11,984</u>
As at 1 January 2020	1,014	–	–	1,014
Increases	59	5	11,473	11,537
Reverses	(679)	(1)	–	(680)
Transfers between stages				
— Increase	–	35	38	73
— Decrease	(70)	(3)	–	(73)
As at 31 December 2020	<u>324</u>	<u>36</u>	<u>11,511</u>	<u>11,871</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	Stage of assets			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL (credit- impaired) HK\$'000	
(c) Debt investments at FVOCI				
As at 1 January 2021	12,334	13,363	244,106	269,803
Increases	7,276	–	47,933	55,209
Reverses	(7,620)	(13,584)	–	(21,204)
Transfers between stages				
— Increase	–	738	–	738
— Decrease	(738)	–	–	(738)
As at 30 June 2021	<u>11,252</u>	<u>517</u>	<u>292,039</u>	<u>303,808</u>
As at 1 January 2020	22,725	5,646	21,655	50,026
Increases	6,567	10,881	216,709	234,157
Reverses	(13,767)	(613)	–	(14,380)
Transfers between stages				
— Increase	–	3,191	5,742	8,933
— Decrease	(3,191)	(5,742)	–	(8,933)
As at 31 December 2020	<u>12,334</u>	<u>13,363</u>	<u>244,106</u>	<u>269,803</u>
(d) Loans and advances				
As at 1 January 2021	1,095	87	–	1,182
Increases	1,787	1,161	–	2,948
Reverses	(403)	–	(58)	(461)
Transfers between stages				
— Increase	–	2	87	89
— Decrease	(2)	(87)	–	(89)
As at 30 June 2021	<u>2,477</u>	<u>1,163</u>	<u>29</u>	<u>3,669</u>
As at 1 January 2020	7,757	–	–	7,757
Increases	127	38	–	165
Reverses	(6,740)	–	–	(6,740)
Transfers between stages				
— Increase	–	49	–	49
— Decrease	(49)	–	–	(49)
As at 31 December 2020	<u>1,095</u>	<u>87</u>	<u>–</u>	<u>1,182</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	Stage of assets			Total HK\$'000
	Stage 1	Stage 2	Stage 3 Lifetime ECL	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	(credit- impaired) HK\$'000	
(e) Receivable from reverse repurchase agreements				
As at 1 January 2021	6	–	–	6
Increases	413	–	–	413
Reverses	–	–	–	–
As at 30 June 2021	<u>419</u>	<u>–</u>	<u>–</u>	<u>419</u>
As at 1 January 2020	–	–	–	–
Increases	6	–	–	6
Reverses	–	–	–	–
As at 31 December 2020	<u>6</u>	<u>–</u>	<u>–</u>	<u>6</u>

	Stage of assets				Total HK\$'000
	Stage 1	Stage 2	Stage 3 Lifetime ECL	Lifetime ECL (simplified approach)	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	(credit- impaired) HK\$'000	HK\$'000	
(f) Accounts receivable					
As at 1 January 2021	63	–	–	3,378	3,441
Increases	78	–	–	3	81
Reverses	–	–	–	–	–
As at 30 June 2021	<u>141</u>	<u>–</u>	<u>–</u>	<u>3,381</u>	<u>3,522</u>
As at 1 January 2020	153	–	108	1,795	2,056
Increases	–	–	–	3,525	3,525
Reverses	(90)	–	(108)	(1)	(199)
Write-off	–	–	–	(1,941)	(1,941)
As at 31 December 2020	<u>63</u>	<u>–</u>	<u>–</u>	<u>3,378</u>	<u>3,441</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

Management assessment on economic scenarios, weightings and sensitivity analysis of ECL model

The Group established ECL model by using a statistical approach for financial instruments. This approach involves estimation of four risk parameters, i.e. Probability of Default ("PD"), Loss Given Default ("LGD"), Exposure at Default ("EAD") and expected life, as well as the use of effective interest rate ("EIR") and forward-looking information.

To reflect the prevailing market condition, the Group recalibrated the ECL model by reselecting the forward-looking macroeconomic factors ("MEFs"). The newly selected forward-looking MEFs as of 30 June 2021 including unemployment rate, current account balance and total investments have been updated with revision of weightings of its three economic scenarios, i.e. "Optimistic scenario", "Basic scenario" and "Pessimistic scenario". The weighting of "Basic scenario" adopted by the Group overweight the aggregated weighting of non "Basic scenario".

Sensitivity analysis

As at 30 June 2021 and 31 December 2020, sensitivity analysis is conducted for the impact of impairment allowance results against the forward-looking macroeconomic variables on the basis that (i) Optimistic scenario weight increases by 10% and Basic scenario weight is lowered by 10%; (ii) Pessimistic scenario weight increases by 10% and Basic scenario weight is lowered by 10%, as follows:

	30/6/2021		31/12/2020	
	Optimistic +10% HK\$'000	Pessimistic +10% HK\$'000	Optimistic +10% HK\$'000	Pessimistic +10% HK\$'000
Loans and advances	302	(721)	18	(621)
Debt securities	419	(5,737)	1,560	(4,413)
Margin finance	122	(199)	142	(263)

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Fair Value of the Group's Financial Assets and Financial Liabilities that are Measured at Fair Value on Recurring Basis

Certain financial assets and liabilities of the Group are measured at fair value or with fair value disclosed for financial reporting purposes. The fair value has been determined using appropriate valuation techniques and inputs for fair value measurements. The appropriateness of the valuation techniques and the inputs to the fair value measurements are reviewed by the Board of Directors periodically.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2021.

Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Level 3 financial instruments are valued using models which utilise observable Level 1 and/or Level 2 inputs, as well as unobservable Level 3 inputs.

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Fair Value of the Group's Financial Assets and Financial Liabilities that are Measured at Fair Value on Recurring Basis (continued)

The table below provides further information regarding the valuation of material financial assets and liabilities under Level 3.

As at 30 June 2021	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income				
Unlisted equity	Recent transaction price	(i)	N/A	N/A
Financial assets at fair value through profit or loss				
Club debenture	Recent transaction price	Liquidity discount rate	25%	(ii)
Unlisted equities	Recent transaction price	(i)	N/A	N/A
	Allocated net asset value	Net asset value	N/A	(iv)
	Equity allocation method	Volatility	41.53%– 51.27%	(vii)
Unlisted funds	Market comparable approach	Sales multiples	5.4x–17.5x	(iii)
		Discount rate for lack of marketability	16.74%	
	Allocated net asset value	Net asset value	N/A	(iv)
Preference shares	Recent transaction price	(i)	N/A	N/A
	Equity allocation method	Volatility	46.13%– 61.43%	(vii)
	Market comparable approach	Sales multiples	5.4x–17.5x	(iii)
		Discount rate for lack of marketability	16.74%	
Structured financial products	Guaranteed principal plus expected return	Expected return rate	N/A	(v)
Financial liabilities at fair value through profit or loss				
Structured note payable	Recent transaction price	(i)	N/A	(v)

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Fair Value of the Group's Financial Assets and Financial Liabilities that are Measured at Fair Value on Recurring Basis (continued)

As at 31 December 2020	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income				
Unlisted equity	Recent transaction price	(i)	N/A	N/A
Financial assets at fair value through profit or loss				
Club debenture	Recent transaction price	Liquidity discount rate	25%	(ii)
Unlisted equities	Recent transaction price	(i)	N/A	N/A
	Allocated net asset value	Net asset value	N/A	(iv)
	Equity allocation method	Volatility	41.7%–46.8%	(vii)
Unlisted funds	Market comparable approach	Sales multiples	0.5x–28.1x	(iii)
		Discount rate for lack of marketability	14.7%–24.5%	
	Allocated net asset value	Net asset value	N/A	(iv)
Preference shares	Recent transaction price	(i)	N/A	N/A
	Equity allocation method	Volatility	41.8%–80.5%	(vii)
	Market comparable approach	Sales multiples	9.0x–28.1x	(iii)
		Discount rate for lack of marketability	24.5%	
Structured financial products	Guaranteed principal plus expected return	Expected return rate	N/A	(v)
Financial liabilities at fair value through profit or loss				
Structured note payable	Recent transaction price	(i)	N/A	(v)

(i) The Directors of the Company consider that the financial position of these investments has no significant change between its recent transaction date/exit date and the reporting date, and hence no adjustment to the recent transaction price/exit price is needed.

(ii) The higher the discount rate, the lower the fair value.

(iii) The higher the multiples, the higher the fair value.

(iv) The higher the net asset value, the higher the fair value.

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Fair Value of the Group's Financial Assets and Financial Liabilities that are Measured at Fair Value on Recurring Basis (continued)

- (v) The higher the expected return rate, the higher the fair value.
- (vi) The longer the term of the underlying fund, the higher the fair value.
- (vii) The higher the volatility, the lower the fair value.

The following tables present the changes in Level 3 instruments for the six months ended 30 June 2021 and for the year ended 31 December 2020.

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Financial assets at fair value through other comprehensive income		
Beginning of the period/year	7,107	240,009
Disposal during the period/year	–	(235,974)
Net gain recognised in profit or loss	–	1,080
Net gain recognised in other comprehensive income	44	1,992
End of the period/year (Note 12)	<u>7,151</u>	<u>7,107</u>

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Financial assets at fair value through profit or loss		
Beginning of the period/year	3,739,873	3,504,300
Addition during the period/year	706,845	982,621
Disposal during the period/year	(178,065)	(1,045,791)
Transfer during the period/year*	(1,080,244)	–
Net gain recognised in profit or loss	445,747	298,743
End of the period/year (Note 12)	<u>3,634,156</u>	<u>3,739,873</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Fair Value of the Group's Financial Assets and Financial Liabilities that are Measured at Fair Value on Recurring Basis (continued)

	30/6/2021 HK\$'000 (Unaudited)	31/12/2020 HK\$'000 (Audited)
Financial liabilities at fair value through profit or loss		
Beginning of the period/year	22,047	19,432
Addition during the period/year	–	2,708
Transfer during the period/year*	(43,440)	–
Net loss/(gain) recognised in profit or loss	21,393	(93)
End of the period/year (Note 12)	–	22,047
Derivative financial liabilities		
Beginning of the period/year	7,790	–
Addition during the period/year	–	7,790
Net gain recognised in profit or loss	(7,733)	–
End of the period/year (Note 12)	57	7,790

* During the Reporting Period, certain financial assets and liabilities was transferred from Level 3 to Level 2. Please refer to Note 12 for details.

The Group has adopted consistent and transparent methodology based on these valuation techniques above for determining fair value. Regardless of the valuation methodology used, once used, it should continue to be used until a new methodology provides a better approximation of the investment's current fair value. The management expects that there would not be frequent changes in valuation techniques.

Glossary

“1H”	the first six months of a certain calendar year
“AUM”	the amount of assets under management
“Board” or “Board of Directors”	the Board of Directors of the Company
“BOCOM”	Bank of Communications Co., Ltd. (交通銀行股份有限公司), established in 1908, a company registered in the PRC as a joint stock limited liability company on 24 December 2004, the H shares and A shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively, and the ultimate controlling shareholder of the Company
“BOCOM Dingji Science and Technology Innovation Equity Investment Fund”	BOCOM Dingji Science and Technology Innovation Equity Investment Fund (Shenzhen) Partnership Enterprise (Limited Partnership)* 交銀鼎吉科創股權投資基金（深圳）合夥企業（有限合夥），a limited partnership established under the laws of the PRC
“BOCOM Group”	BOCOM and its subsidiaries (excluding the Group)
“BOCOM International (Shanghai)”	BOCOM International (Shanghai) Equity Investment Management Company Limited (交銀國際（上海）股權投資管理有限公司), a company incorporated in the PRC with limited liability on 25 October 2010 and a subsidiary of the Company
“BOCOM International (Shenzhen)”	BOCOM International Equity Investment Management (Shenzhen) Company Limited (交銀國際股權投資管理（深圳）有限公司), a company incorporated in the PRC with limited liability on 3 February 2016, a subsidiary of BOCOM International Asset Management Limited and an indirect subsidiary of the Company
“BOCOM Nominee”	Bank of Communications (Nominee) Company Limited, a company incorporated in Hong Kong with limited liability on 21 August 1981 and a subsidiary of BOCOM and a shareholder of the Company holding Shares on trust for BOCOM
“BOCOM Science and Technology Innovation Equity Investment Fund”	BOCOM Science and Technology Innovation Equity Investment Fund (Shanghai) Partnership Enterprise (Limited Partnership)* 交銀科創股權投資基金（上海）合夥企業（有限合夥），a limited partnership established under the laws of the PRC

“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	BOCOM International Holdings Company Limited (交銀國際控股有限公司), a company incorporated in Hong Kong with limited liability on 3 June 1998, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Corporate Governance Code”	code on corporate governance practices contained in Appendix 14 to the Listing Rules
“Director(s)”	director(s) of the Company
“Expectation Investment”	Expectation Investment Limited, a company incorporated in Hong Kong with limited liability on 29 January 1997, an indirect subsidiary of BOCOM and a shareholder of the Company
“Fed” or “Federal Reserve”	the Federal Reserve System of the US
“Group” or “we” or “us”	the Company and its subsidiaries
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IPO”	initial public offering
“Listing”	listing of the shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“PRC” or “China”	People’s Republic of China
“Prospectus”	the prospectus of the Company dated 5 May 2017
“QDIE”	Qualified Domestic Investment Entity
“QDLP”	Qualified Domestic Limited Partnership
“QFLP”	Qualified Foreign Limited Partnership

Glossary

“Reporting Period”	the six months ended 30 June 2021
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Stock Exchange”	the Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary share(s) in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange” or “SEHK” or “HKEX”	The Stock Exchange of Hong Kong Limited
“US” or “United States”	the United States of America
“USD” or “US\$”	United States dollars, the lawful currency of the United States