



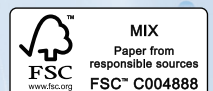
交銀國際控股有限公司

BOCOM International Holdings Company Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 3329


Interim Report 2023





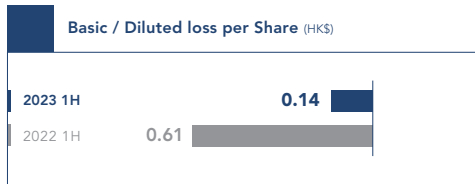
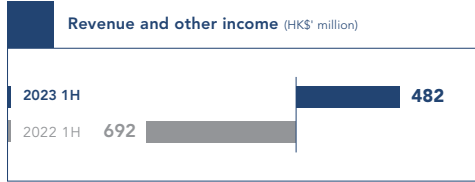
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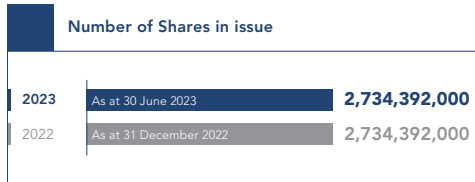
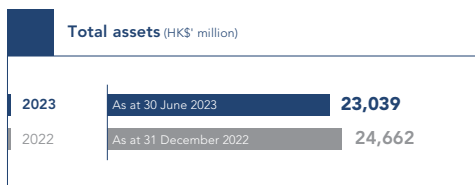


Financial Highlights

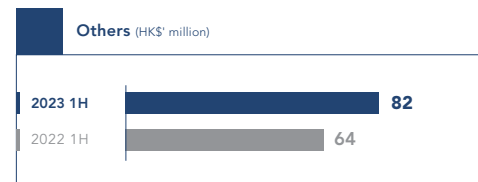
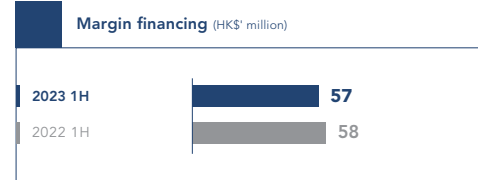
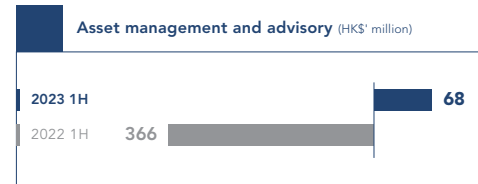
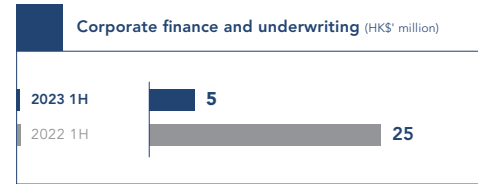
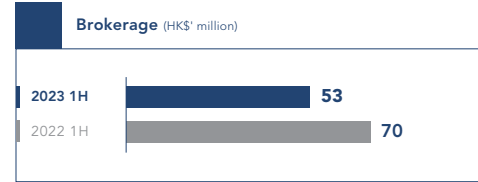
Results



Financial Position



Revenue and other income by segment



Corporate Information

BOARD OF DIRECTORS

Executive Directors

TAN Yueheng (*Chairman*)
ZHU Chen (*Chief Executive Officer*)
CHENG Chuange (*Deputy Chief Executive Officer*)

Non-executive Directors

SHAN Zengjian
(*appointment effective from 29 June 2023*)
PO Ying
(*retirement effective from 29 June 2023*)
WANG Xianjia

Independent Non-executive Directors

TSE Yung Hoi
MA Ning
LIN Zhijun

BOARD COMMITTEES

Strategy and Risk Management Committee

(*establishment effective from 13 July 2023*)
TAN Yueheng (*Chairman*)
ZHU Chen
CHENG Chuange
SHAN Zengjian
WANG Xianjia

Audit Committee

(*formerly known as Audit and Risk Management Committee, renaming effective from 13 July 2023*)
LIN Zhijun (*Chairman*)
TSE Yung Hoi
WANG Xianjia

Remuneration Committee

TSE Yung Hoi (*Chairman*)
MA Ning
LIN Zhijun
SHAN Zengjian
(*appointment effective from 13 July 2023*)
WANG Xianjia
(*appointment effective from 13 July 2023*)

Nomination Committee

TAN Yueheng (*Chairman*)
(*cessation effective from 13 July 2023*)
MA Ning (*Chairman*)
(*redesignation as the chairman effective from 13 July 2023*)
PO Ying
(*retirement effective from 29 June 2023*)
TSE Yung Hoi
LIN Zhijun
SHAN Zengjian
(*appointment effective from 13 July 2023*)
WANG Xianjia
(*appointment effective from 13 July 2023*)

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

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in
accordance with the Accounting and Financial
Reporting Council Ordinance

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



Management Discussion and Analysis

MACRO ENVIRONMENT AND MARKET REVIEW

In the first half of 2023, the global economy was supported by positive factors, but also faced challenges from a series of complexities. Under the impact of ongoing tightening of the global monetary policy, the overall global economy trended down. The European and the US economies have shown some resilience, while the Chinese economy has continued to recover. In terms of industry, there was a clear divergence between global manufacturing and service sectors. The manufacturing sector declined, while the service industry showed robustness. Additionally, the increasingly complex global situation has brought many challenges to the global investment environment.

The easing of global supply-side pressures, accompanied by slowing demand under high interest rate levels, has pushed inflation in major developed economies to fall from elevated levels. However, the decline of core inflation remains slow, and the inflation level is still significantly higher than the US Federal Reserve's target. The US Federal Reserve continued to tighten its monetary policy in the first half of 2023, which brewed risk events in the European and US banking industries. This pushed the dollar index higher, in turn keeping global liquidity pressure high.

China's economy has displayed on a recovery trend as its economic policies steadily bear fruits. In the first half of the year, policies to shore up domestic demand gradually lifted consumption, which saw increased contribution to economic growth. Meanwhile, measures to ensure stable growth and employment also accelerated the recovery of the service sector. Innovation gathered pace, technological innovation drove high-quality development, and advanced manufacturing industries also achieved significant growth. With the reopening of borders, Hong Kong's economy is recovering steadily. Retail and catering industries rebounded significantly, the tourism industry gradually warmed up, and business confidence improved. However, headwinds such as the global monetary policy tightening have suppressed market sentiments and had certain impacts on the performance of Hong Kong's capital market. In the first half of 2023, the number of IPO listings in Hong Kong increased by 22% YoY, but the amount of funds raised fell by 9.9% compared with the same period in 2022. Performance between sectors was significantly diverse, among which energy and financial sectors performed well, while the consumption sector was under pressure.

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 financing needs of clients. In the first half of 2023, affected by the global tightening monetary policy and the weak market sentiments, the Group's loss for the Reporting Period was HK\$373.2 million comparing with a loss of HK\$1,677.9 million for the corresponding period in 2022.

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, Hang Seng China Enterprises Index Futures and Options, Mini-Hang Seng China Enterprises Index Futures and Options and stock options.

During the first half of 2023, due to the intertwined effects of the banking crisis in Europe and the U.S., the implementation of the US Federal Reserve's interest rate hike program and other factors, the global capital market sentiment was poor, yields on cash and cash management products continued to be high, and investors' willingness to invest in the market, particularly amongst retail clients, remained low. On the one hand, our team continued to leverage the Group's strengths to further optimise our client and revenue structure by expanding our portfolio of local, corporate and industrial investment clients; on the other hand, we were further deepening our collaboration with the industry's best-in-class asset managers and exploring product instruments that are tailored to meet the market's strategies.

For the six months ended 30 June 2023, our commission and fee income from the securities brokerage business was HK\$47.9 million, representing a decrease of HK\$16.0 million or 25.1% as compared with the corresponding period in 2022.

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			
	2023		2022	
	HK\$'million	%	HK\$'million	%
Hong Kong stocks	34.6	72.2	44.6	69.8
Non-Hong Kong stocks	5.9	12.3	11.2	17.5
Bonds	4.4	9.2	4.7	7.4
Others	3.0	6.3	3.4	5.3
	47.9	100.0	63.9	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 general, the interest rates charged to the margin clients ranges from prime rate minus 2% to prime rate plus 5%, with reference to client's financial background, the quality of underlying collaterals and the overall business relationship with the Company.

In response to the increasing credit risk, 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 2023, the number of margin client accounts increased to 9,677. The monthly average loan balance increased and interest income from margin loans for the six months ended 30 June 2023 was HK\$56.8 million, representing a decrease of HK\$1.4 million or 2.3% as compared with the corresponding period in 2022.

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

	30/6/2023	31/12/2022
Number of margin accounts	9,677	9,661
Balance of gross margin loans (HK\$'million)	1,749.8	1,696.8
Monthly average balance (HK\$'million)	1,854.3	1,799.8
Highest month end balance (HK\$'million)	1,935.2	2,186.0
Lowest month end balance (HK\$'million)	1,749.8	1,523.2
Margin value (HK\$'million) (Note 1)	1,670.3	1,520.9
Market value (HK\$'million) (Note 2)	5,336.6	5,003.5

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.

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), debt securities underwriting, mergers and acquisitions, pre-IPO financing, and financial advisory.

In the first half of 2023, there were a total of 31 new listings on the Stock Exchange (excluding the listing of special purpose acquisition companies and transfer of listing from GEM to Main Board). The number of new listings increased by 29% as compared with the corresponding period in 2022. The aggregate amount of funds raised through IPOs was HK\$17.78 billion, representing a decrease of 9.9% as compared with the corresponding period in 2022.

In view that new economy has been playing a dominant role in Hong Kong's capital market, 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 in the new era. During the Reporting Period, we acted as a bookrunner for seven completed IPO projects. In respect of debt capital markets, we completed 44 debt issuance projects and successfully assisted corporations in raising USD7.91 billion in aggregate. We have built up a team of professionals to strengthen our capabilities in various financial advisory services such as pre-IPO equity financing, private credit, mergers and acquisitions and leveraged finance. As the sole financial advisor, we have completed a new energy private placement debt repayment and disposal of controlling stake project.

For the six months ended 30 June 2023, our commission and fee income from corporate finance and underwriting services was HK\$5.1 million, representing a decrease of HK\$19.5 million or 79.3% as compared to HK\$24.6 million in the corresponding period of 2022.



Management Discussion and Analysis

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, and provide comprehensive investment solutions and high-quality services to corporations, institutions, high-net-worth clients and individual investors. 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, and have built up a cross-border asset management platform to seize the best time for investment growth in Mainland China.

As a fund manager, we have continued to build up our core competitiveness in investment and research integration. In particular, for six months ended 30 June 2023, BOCOM International China Dynamic Fund had a return of 10.79%, ranking the first in its category in the Hong Kong market. We have established over ten BOCOM science and technology innovation equity investment series funds in cities such as Shanghai, Chongqing, Jiangsu, Zhejiang, Hubei, Shandong, Hebei and Shenzhen, which focus on investing in quality enterprises engaged in fields such as artificial intelligence, new materials, bio-pharmaceuticals, new energy and next generation information technology. We also provided a full range of integrated financial services to these high quality science and innovation enterprises by relying on BOCOM's resources. We have established the first fund-of-funds in Hainan, with us serving as the fund manager. This fund is specifically designed to target high-quality investment institutions operating in the digital economy and other industries which receive substantial local support. It invests in their respective sub-funds, aiming to assist local governments in attracting investment and capital and foster the growth of sub-fund investors, through collaborating with the resources of BOCOM Group. Furthermore, we provided investors home and abroad with diversified cross-border asset management product portfolio and a full chain of QFLP and QDIE fund product services. As of 30 June 2023, we have established 11 QFLP funds and 1 QDIE fund, amongst which our QFLP funds became the first of its kind established in Hainan, Qingdao and Lianyungang.

As at 30 June 2023, the total amount of our AUM was approximately HK\$20,990.1 million, representing a decrease of 13.2% from HK\$24,177.8 million as at 31 December 2022. For the six months ended 30 June 2023, asset management and advisory fee income increased by HK\$0.8 million or 3.8% to HK\$22.2 million. Proprietary trading gain was HK\$45.8 million, representing the refund of the guarantee fee payment as compared to a proprietary trading loss of HK\$387.8 million for the corresponding period in 2022.

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, areas such as those with technological innovation and upgrading of traditional industries, and participating in debt-equity hybrid investments in enterprises with high growth potential. For bond investments, we preferred short-to-medium duration products with good credit standing and offshore premium.

For structured financing and corporate loans, we launched a full spectrum of credit business, including leveraged financing, structured products, asset-backed loans, convertible bonds, etc. In terms of asset classes, we mainly focused on loans with high-quality underlying assets and counterparties with good credit track record. During the Reporting Period, we had 11 clients, with one individual client and 10 corporate clients. Our corporate clients primarily included corporate clients in real estate industry, stated-owned enterprises, technology, wholesale and retail, and pharmaceuticals industries, to which the principal amount of loans granted amounted to HK\$836 million, HK\$509 million, HK\$298 million, HK\$133 million and HK\$55 million, respectively as at 30 June 2023 (as at 31 December 2022: the principal amount of loans granted to corporate clients in real estate industry, stated-owned enterprises, technology, financial, wholesale and retail, and pharmaceuticals industries amounted to HK\$821 million, HK\$528 million, HK\$516 million, HK\$235 million, HK\$132 million and HK\$54 million, respectively). The funding sources of our credit business included bank and other borrowings, obligation under repurchase agreements, subordinated loans, debt securities issued and internal funding. We determined the credit limit of respective clients based on various factors, including but not limited to the total value of assets maintained with the Group as well as their background, annual income, trading patterns and credit history. During the Reporting Period, the aggregate amount of loans granted to the top 5 clients was HK\$1,364 million, accounting for 69.5% of the total amount of loans granted by the Group during the Reporting Period in which HK\$509 million was granted to the single largest client, representing 25.9% of the total amount of loans granted by the Group during the Reporting Period (as at 31 December 2022: the aggregate amount of loans granted to the top 5 clients was HK\$1,617 million, accounting for 66.9% of the total amount of loans granted by the Group during 2022, in which HK\$528 million was granted to the single largest client, representing 21.8% of the total amount of loans granted by the Group during 2022).

During the Reporting Period, the loans provided by the Group primarily included short-term and long-term loans. The interest rates we charged for the short-term loans ranged from 5.25% to 12.0% per annum, whilst the interest rates charged for the long-term loans ranged from 5.5% to 8.784% per annum (as at 31 December 2022: the interest rates charged for the short-term loans ranged from 4.693% to 10.0% per annum, whilst the interest rates charged for the long-term loans ranged from 5.5% to 8.784% per annum). We considered a number of factors when determining the interest rate to be charged to each client, including the comprehensive business relationship, risk exposure (which covers, among others, the financial capability, business prospect, credit history and background of the client) and funding cost.

For the six months ended 30 June 2023, interest income from loans and advances and financial assets at fair value through other comprehensive income was HK\$218.5 million, representing a decrease of approximately 33.1% as compared to HK\$326.8 million for the corresponding period in 2022. Proprietary trading loss was HK\$5.8 million, representing a decrease of HK\$871.0 million as compared to that for the corresponding period in 2022.

In general, we require our clients to provide collateral in the form of floating charge or fixed charge to secure their payment obligations under the loans granted to protect our financial position. For the secured collateral, during the Reporting Period, 94.7% of the secured collateral was in the form of securities and 5.3% was in the form of real estate properties (as at 31 December 2022: 88.1% of the secured collateral was in the form of securities and 11.9% was in the form of real estate properties).

Management Discussion and Analysis

During the Reporting Period, the Group granted short-term loans with maturity up to one year in the principal amount ranging from HK\$78 million to HK\$391 million to its clients having considered the concentration risk of the loan portfolio and the underlying collateral (as at 31 December 2022: short-term loans with maturity up to one year in the principal amount ranging from HK\$50 million to HK\$389 million were granted); whilst long-term loans with maturity ranging from two to six years in the principal amount ranging from HK\$55 million to HK\$509 million were only granted to corporate clients under syndication arrangement (as at 31 December 2022: long-term loans with maturity ranging from two to five years in the principal amount ranging from HK\$54 million to HK\$528 million were granted).

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

	30/6/2023		31/12/2022	
	HK\$'million	%	HK\$'million	%
Fixed income securities	11,254.9	77.6	11,751.4	78.1
Bonds	10,549.8	72.7	11,048.0	73.4
Preference shares	705.1	4.9	703.4	4.7
Equity investments	92.8	0.6	73.7	0.5
Funds	3,156.0	21.8	3,225.4	21.4

Research

Our research team provides independent and objective research on macroeconomics, cross-asset strategies as well as key industries in the global markets including financials, property, consumer, industrials, technology and internet. Going forward, we will continue to increase resources on research of new economy sectors especially in technology, clean energy and healthcare in order to help our institutional clients, the Group and the Company's own businesses to identify emerging investment trends. We offer comprehensive analysis and forecasting in respect of sector-and-company-specific fundamentals as well as timely comments on data releases and events. Thematic research is an area that we are going to focus on going forward. In the first half of 2023, the publication of our in-depth reports has increased three-fold year-on-year and we have attracted hundreds of thousands of audience to our analysts' roadshows on various platforms.

FINANCIAL REVIEW

Financial Performance

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

	For the six months ended 30 June	
	2023 HK\$'million	2022 HK\$'million
Brokerage	53.2	70.3
Corporate finance and underwriting	5.1	24.6
Asset management and advisory	68.1	(366.1)
Margin financing	56.8	58.2
Investment and loans	216.4	(542.5)
Others	82.1	63.8
Total	481.7	(691.7)

The Group's loss for the six months ended 30 June 2023 was approximately HK\$373.2 million, comparing with a loss of HK\$1,677.9 million for the corresponding period in 2022.

Operating Expenses

Operating expenses and finance costs of the Group for the six months ended 30 June 2023 amounted to HK\$855.4 million (2022: HK\$982.6 million), an analysis of which is listed below:

	For the six months ended 30 June			
	2023		2022	
	HK\$'million	%	HK\$'million	%
Commission and brokerage expenses	13.4	1.6	18.4	1.9
Finance costs	352.2	41.2	142.1	14.4
Staff costs	184.2	21.5	143.2	14.6
Depreciation	62.9	7.3	53.9	5.5
Other operating expenses	83.5	9.8	198.6	20.2
Change in impairment allowance	159.2	18.6	426.4	43.4
Total	855.4	100.0	982.6	100.0

Finance costs increased by 147.9% as a result of increase in average interest rate.

Depreciation increased by 16.8% due to increase in depreciation on right-of-use assets in respect of the lease of Beijing office.



Management Discussion and Analysis

Other operating expenses decreased by 58.0%, mainly due to decrease in exchange loss, software development costs and operating lease charges.

As of 30 June 2023, the Group recognised an impairment allowance totaling HK\$1,804.7 million (representing an increase of HK\$159.2 million when compared to the impairment allowance as of 31 December 2022). The additional impairment losses comprise primarily of (i) impairment losses on loan and advances (the “**Loan Impairment**”) amounting to HK\$15.7 million and (ii) impairment losses on debt investments at fair value through other comprehensive income (the “**debt investments**”) amounting to HK\$127.3 million (the “**Debt Impairment**”). The Loan Impairment and the Debt Impairment were primarily attributable to the impact of volatility in the capital market and the downturn in the real estate market in Mainland China.

The Group’s impairment losses on loans and advances and debt investments are calculated based on a three-stage expected credit loss (the “**ECL**”) model. The Group applies the ECL model to assess the Loan Impairment and the Debt Impairment and in doing such assessment, the Group, in accordance with HKFRS 9, takes into account the following factors:

- (i) the probability of default and in assessing such probability, the Group will (a) conduct past due age analysis; (b) perform due diligence on each debtor’s changes in credit rating, business, financial or economic conditions and changes in the expected performance and behavior of each debtor; and (c) consider the macro-environment and the repayment history of each debtor; and
- (ii) the loss given default and the expected cash shortfall between the cash flows due to the Group in accordance with the agreements and the cash flows that the Group expects to receive and in assessing such, the Group will take into account the collaterals (if any) provided for the debts, the seniority of the claim and potential recovery scenarios based on financial statements.

For the purpose of impairment assessment, the loans and advances and debt investments are classified as Stage 1, 2 and 3 under the ECL model. According to prevailing accounting standards, Stage 1 are debts with no significant increase in credit risk of the financial instrument since their initial recognition. Stage 2 are debts with increase in credit risk of the financial instrument since their initial recognition. Stage 3 are debts with significant increase in credit risk of the financial instrument since their initial recognition and are considered as credit-impaired.

Impairment was assessed for each of the loans and advances and debt investments and the ECL for internal impairment assessment has taken into account relevant considerations including: (i) expected life and contractual terms of the financial instrument; (ii) probability of default; and (iii) loss given default.

As of 30 June 2023, Loan Impairment was made in respect of 11 individual and corporate clients, none of which is a connected person of the Group. Among such 11 borrowers, none of the borrowers falls within Stage 2 and 9 borrowers fall within Stage 3 (i.e. credit impaired) (“**Stage 3 Borrowers**”). As of 30 June 2023, the aggregate outstanding principal amount owed by Stage 3 Borrowers amounted to HK\$1,399 million (representing approximately 71.3% of the total amount of loans and advances granted by the Group as of 30 June 2023).

As of 30 June 2023, Debt Impairment was made in respect of 119 debt securities invested by the Group. Among such 119 debt securities, 6 debt securities fall within Stage 2 ("**Stage 2 Debt**") and 26 debt securities fall within Stage 3 ("**Stage 3 Debt**"). As of 30 June 2023, the aggregate fair value of the Stage 2 Debt and Stage 3 Debt amounted to HK\$148.3 million and HK\$174.1 million, respectively.

The Group has adopted debt collection procedures to minimise the impairment loss, which includes (i) closely monitoring the progress of repayment by checking if there is any overdue balance or late payment each month; (ii) sending reminders to the debtors to remind them of the outstanding balance status; (iii) engaging in negotiations and discussions with debtors on repayment; (iv) issuing statutory demand letters to debtors on amounts due; and (v) where appropriate, initiating legal actions against debtors for recovery of amounts due and taking possession of collaterals pledged. The action to be taken by the Group with respect to each debtor depends on, among others, the size of the debt, the financial capability and future prospect of the debtor, the likelihood of default, the loss given if default and the value of the collaterals (if any).

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and bank balances as at 30 June 2023 decreased by HK\$249.3 million to HK\$1,541.2 million (31 December 2022: HK\$1,790.5 million).

The Group's net current assets increased by HK\$2,893.6 million to HK\$3,493.7 million as at 30 June 2023 (31 December 2022: HK\$600.1 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.3 times as at 30 June 2023 (31 December 2022: 1.0 times).

As at 30 June 2023, the total borrowings of the Group amounted to HK\$17,662.5 million (31 December 2022: HK\$18,315.7 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 2022: HK\$1,000.0 million).

Debt securities issued represented US\$500 million 1.75% guaranteed notes issued by a wholly owned subsidiary of the Company on 28 June 2021 under the medium term note programme. 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 2023, the Group's gearing ratio was 772.1% (31 December 2022: 684.3%), 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.



Management Discussion and Analysis

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 notes. 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.

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.

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 assets' price risk. The Group has implemented measures to manage and monitor such risks in order to keep potential losses to an acceptable level.

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 2023, there was no charge on Group assets (31 December 2022: Nil).

Capital Commitments

As at 30 June 2023, the Group had no significant capital commitments.

Employees and Remuneration Policies

As at 30 June 2023, the Group had a total of 485 employees. Total staff costs amounted to approximately HK\$184.2 million for the six months ended 30 June 2023.

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 policies of the Company. We conduct performance evaluations of our employees annually to provide feedback on their performance.

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 2023, the Group had no material contingent liabilities.

OUTLOOK AND STRATEGY

The global economic challenges are expected to remain in the second half of 2023. On the one hand, the global interest rate hike cycle is gradually coming to an end, but on the other hand, structural factors lead to continued tightening in job market and stickiness in core inflation. The US Federal Reserve's policy is likely to keep interest rate higher for longer. The possibility of the US Federal Reserve's last interest rate hike in the second half of 2023 still remains, and interest rate cut is likely to be later than market expectations, in our view. Sustained high interest rates will test the resilience of the global economy and financial markets.

China's economy is expected to continue to recover in the second half of 2023. Infrastructure investment will contribute to steady growth. Manufacturing investment has shown signs of revival. Household consumption is expected to maintain a moderate comeback. As global interest rate hike cycle is coming to an end, China's monetary and fiscal policies will become more flexible, providing strong support for economic recovery. For Hong Kong, tourism and local demand will remain the main drivers of economic growth. As tourism operations resume along with improved capacity, the return of visitors to Hong Kong is expected to rise further, lending support to the recovery of retail and catering industries. Labor market improvement and stimulus measures such as consumption vouchers will continue to support local demand. However, slowing demand from major overseas economies will put pressure on export growth. Yet, China's economic recovery is expected to alleviate some of these export pressures.

The Group will seize the opportunities brought about by the accelerated construction of a new development pattern in China, adhere to the principle of seeking progress while maintaining stability, and focus on its principal activities to strike a good balance between immediate benefits and long-term development. The Group will also further promote high-quality development and create value for Shareholders and investors through the implementation of the following six key tasks, namely, insisting on improving overall risk management capability, insisting on proper handling of stocks, insisting on transformation and development of licensed businesses, insisting on giving full play to the Group's feature of "Technological Innovation + Being Green", insisting on strengthening synergy and coordination and insisting on construction of a talent team.

Corporate Governance and Other Information

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

As at 30 June 2023, the interests and short positions of the Directors and Chief Executive 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

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	244,000	0.00	0.00
		A shares	140,000	0.00	0.00
ZHU Chen	Beneficial owner	A shares	130,000	0.00	0.00
SHAN Zengjian	Beneficial owner	A shares	120,000	0.00	0.00
WANG Xianjia	Beneficial owner	A shares	70,000	0.00	0.00

Save as disclosed above, as at 30 June 2023, none of the Directors or Chief Executive 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.

Corporate Governance and Other Information

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

For the six months ended 30 June 2023, 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 2023, the interests and short positions of those persons (other than the Directors or Chief Executive 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 to 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.

Save as disclosed above, as at 30 June 2023, the Company is not aware of any other persons, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's 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 2023.

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 2022 annual report. During the six months ended 30 June 2023, the Company has complied with all the code provisions set out in part 2 of the Corporate Governance Code.

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 2023 in response to specific enquiries made by the Company.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

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

Mr. TAN Yueheng has ceased to be a member of the Advisory Committee of the Securities and Futures Commission since June 2023.

Ms. ZHU Chen has ceased to be the deputy chairperson of the Banking Commission of the China Chamber of International Commerce since June 2023.

Mr. WANG Xianjia has been appointed as a non-executive director of Bank of Communications (Hong Kong) Limited with effect from September 2023.

Save as disclosed above, there is no other information that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

In May 2023, Ms. ZHU Chen voluntarily waived her bonus entitlement from the Company for the year ended 31 December 2022. Save as disclosed, there was no Director who waived or agreed to waive any emoluments during the Reporting Period.

SUPPLEMENTAL INFORMATION IN RELATION TO THIRD AMENDMENT AGREEMENTS

Reference is made to the discloseable transactions announcement (the "**Announcement**") of the Company dated 9 June 2023 pursuant to which the Company has entered into the Third Amendment Agreement A with, among others, Customer A and the Third Amendment Agreement B with, among others, Customer B (together with Customer A, "**Customers**"). Unless otherwise defined herein, capitalised terms used in this subsection shall have the same meanings ascribed to them in the Announcement.



Corporate Governance and Other Information

Before entering into the Third Amendment Agreements, the Company has made the following credit assessment: (i) considered the repayment history of the Loans by the Customers (i.e. each Customer has already repaid approximately US\$28 million, representing approximately 45% of the principal amount of each of the Loans), the amount of the outstanding Loans (i.e. approximately US\$34 million for each of the Outstanding Loan A and Outstanding Loan B (collectively the “**Outstanding Loans**”)) and the repayment schedules of the Outstanding Loans; and (ii) assessed the value of the collateral charged to the Security Trustee under all collateral agreements by reference to the financial information provided by the Customers and noted that the value of the collateral charged to the Security Trustee is not lower than the aggregate amount of the Outstanding Loans.

Prior to the entering into of the Third Amendment Agreements, each of the Customers has already charged 21,433,930 ordinary shares in the Target Company (each representing approximately 6.7% of the outstanding share capital of the Target Company as at the date of the Announcement) to the Security Trustee. In connection with the Third Amendment Agreements, the Customers are required to charge additional shares in the Target Company to the Security Trustee. Customer A shall charge an additional 11,704,375 ordinary shares in the Target Company, which represent approximately 3.6% of the outstanding share capital of the Target Company as of the date of the Announcement, to the Security Trustee under the additional collateral agreement made between Customer A and the Security Trustee. Customer B shall charge an additional 11,685,222 ordinary shares and 19,153 series angel preferred shares in the Target Company, which represent approximately 3.6% of the outstanding share capital of the Target Company as of the date of the Announcement, to the Security Trustee under the additional collateral agreement made between Customer B and the Security Trustee.

The Target Company is a company incorporated under the laws of the Cayman Islands with limited liability and it is principally engaged in investment holding. The Target Company, together with its subsidiaries, are one of the largest online audio platforms in Mainland China.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed with management and the Company’s auditor, KPMG, 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 2023.

The unaudited condensed consolidated interim financial information for the Reporting Period has been reviewed by the Company’s auditor, KPMG, 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 2023 (2022 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 report set out on pages 22 to 67 which comprises the condensed consolidated statement of financial position of BOCOM International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2023 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report 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 are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 the interim financial report consists of making enquiries, 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 report as at 30 June 2023 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 August 2023

Condensed Consolidated Income Statement

	Notes	Six months ended	
		30/6/2023 (Unaudited) HK\$'000	30/6/2022 (Unaudited) HK\$'000
Revenue			
Commission and fee income	6	75,132	109,902
Interest income	6	275,298	384,960
Proprietary trading income	6	39,979	(1,264,610)
		<u>390,409</u>	<u>(769,748)</u>
Other income	6	91,256	78,018
Revenue and other income		<u>481,665</u>	<u>(691,730)</u>
Commission and brokerage expenses		(13,405)	(18,447)
Finance costs	8	(352,165)	(142,087)
Staff costs	8	(184,210)	(143,180)
Depreciation	8	(62,917)	(53,885)
Other operating expenses		(83,484)	(198,612)
Change in impairment allowance	7	(159,241)	(426,379)
Total expenses		<u>(855,422)</u>	<u>(982,590)</u>
Operating loss		(373,757)	(1,674,320)
Share of results of associates	13	(2,678)	(1,146)
Share of results of joint ventures		7,771	(1,141)
Loss before taxation	8	<u>(368,664)</u>	<u>(1,676,607)</u>
Income tax expense	9	(4,561)	(1,315)
Loss for the period and attributable to Shareholders of the Company		<u>(373,225)</u>	<u>(1,677,922)</u>
Loss per share attributable to Shareholders of the Company for the period —			
Basic/Diluted (in HKD per share)	11	<u>(0.14)</u>	<u>(0.61)</u>

Condensed Consolidated Statement of Comprehensive Income

	Six months ended	
	30/6/2023 (Unaudited) HK\$'000	30/6/2022 (Unaudited) HK\$'000
Loss for the period	(373,225)	(1,677,922)
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	56,531	(962,508)
Amounts reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income	9,439	19,265
	65,970	(943,243)
Exchange differences on translation of foreign operations	(96,455)	(78,641)
	(30,485)	(1,021,884)
<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	14,639	(354)
Other comprehensive income, net of tax	(15,846)	(1,022,238)
Total comprehensive income and attributable to Shareholders of the Company	(389,071)	(2,700,160)

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	30/6/2023 (Unaudited) HK\$'000	31/12/2022 (Audited) HK\$'000
Assets			
Non-current Assets			
Property and equipment		87,065	88,592
Right-of-use assets		185,070	177,865
Intangible assets		11,716	6,212
Interest in associates	13	168,004	177,311
Interest in joint ventures		622,320	648,434
Other assets		29,486	22,857
Financial assets at fair value through other comprehensive income	12	6,668,774	7,615,906
Loans and advances	14	626,973	608,838
Deferred tax assets		2,726	2,598
Total non-current assets		8,402,134	9,348,613
Current Assets			
Loans and advances	14	734,452	1,223,072
Tax recoverable		2,717	12,674
Accounts receivable	15	554,498	450,691
Other receivables and prepayments	16	739,425	913,948
Margin loans to customers	17	1,635,093	1,583,600
Amount due from the ultimate holding company		16,116	77,083
Amount due from a fellow subsidiary		7	24
Amounts due from related parties		275	236
Financial assets at fair value through other comprehensive income	12	1,543,660	1,487,254
Financial assets at fair value through profit or loss	12	7,869,448	7,773,434
Derivative financial assets	12	20	680
Cash and bank balances	18	1,541,161	1,790,544
Total current assets		14,636,872	15,313,240
Total assets		23,039,006	24,661,853
Equity and liabilities			
Equity attributable to Shareholders of the Company			
Share capital	22	3,942,216	3,942,216
(Accumulated losses)/retained earnings		(242,742)	130,483
Revaluation reserve		(1,167,345)	(1,247,954)
Foreign currency translation reserve		(244,607)	(148,152)
Total equity		2,287,522	2,676,593

Condensed Consolidated Statement of Financial Position (Continued)

	<i>Notes</i>	30/6/2023 (Unaudited) HK\$'000	31/12/2022 (Audited) HK\$'000
Liabilities			
Non-current Liabilities			
Subordinated loans from the ultimate holding company	19	1,000,000	1,000,000
Obligation under repurchase agreements	19	3,933,348	1,681,011
Lease liabilities		101,213	100,275
Financial liabilities at fair value through profit or loss	12	667,529	594,165
Deferred tax liabilities		3,485	14,867
Debt securities issued	20	3,902,742	3,881,848
Total non-current liabilities		9,608,317	7,272,166
Current Liabilities			
Borrowings	19	6,798,695	7,679,801
Obligation under repurchase agreements	19	2,027,724	4,073,031
Tax payable		301	1,718
Provision for staff costs		86,641	121,898
Other payables and accrued expenses		479,539	216,286
Accounts payable	21	187,232	565,445
Contract liabilities		64,310	26,224
Lease liabilities		87,654	73,180
Financial liabilities at fair value through profit or loss	12	1,405,805	1,949,594
Derivative financial liabilities	12	5,266	5,917
Total current liabilities		11,143,167	14,713,094
Total liabilities		20,751,484	21,985,260
Total equity and liabilities		23,039,006	24,661,853
Net current assets		3,493,705	600,146
Total assets less current liabilities		11,895,839	9,948,759

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Total HK\$'000			
At 1 January 2023	<u>3,942,216</u>	<u>130,483</u>	<u>(1,247,954)</u>	<u>(148,152)</u>	<u>2,676,593</u>	<u>-</u>	<u>2,676,593</u>	
Loss for the period	-	(373,225)	-	-	(373,225)	-	(373,225)	
Other comprehensive income for the period	-	-	80,609	(96,455)	(15,846)	-	(15,846)	
Total comprehensive income for the period	-	(373,225)	80,609	(96,455)	(389,071)	-	(389,071)	
At 30 June 2023 (Unaudited)	<u>3,942,216</u>	<u>(242,742)</u>	<u>(1,167,345)</u>	<u>(244,607)</u>	<u>2,287,522</u>	<u>-</u>	<u>2,287,522</u>	
At 1 January 2022	3,942,216	3,251,003	(460,659)	75,736	6,808,296	616,169	7,424,465	
Reclassification adjustment	-	-	-	-	-	(616,169)	(616,169)	
Adjusted balance at 1 January 2022	<u>3,942,216</u>	<u>3,251,003</u>	<u>(460,659)</u>	<u>75,736</u>	<u>6,808,296</u>	<u>-</u>	<u>6,808,296</u>	
Loss for the period	-	(1,677,922)	-	-	(1,677,922)	-	(1,677,922)	
Other comprehensive income for the period	-	-	(943,597)	(78,641)	(1,022,238)	-	(1,022,238)	
Total comprehensive income for the period	-	(1,677,922)	(943,597)	(78,641)	(2,700,160)	-	(2,700,160)	
Final Dividend for 2021 (Note 10)	-	(136,720)	-	-	(136,720)	-	(136,720)	
At 30 June 2022 (Unaudited)	<u>3,942,216</u>	<u>1,436,361</u>	<u>(1,404,256)</u>	<u>(2,905)</u>	<u>3,971,416</u>	<u>-</u>	<u>3,971,416</u>	

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30/6/2023 (Unaudited) HK\$'000	30/6/2022 (Unaudited) HK\$'000
Operating activities		
Loss before taxation	(368,664)	(1,676,607)
Adjustments for:		
Dividend income	(45,019)	(52,512)
Interest income from loans or clients	(113,907)	(113,308)
Interest income from financial assets at fair value through other comprehensive income	(161,391)	(271,652)
Bank and other interest income	(49,961)	(15,785)
Profit on disposal of property and equipment	–	(10)
Finance costs	352,165	142,087
Depreciation	62,917	53,885
Change in impairment allowance	159,241	426,379
Unrealised (gain)/loss on financial assets and liabilities at fair value through profit or loss	(172,000)	339,049
Unrealised loss on derivative financial assets and liabilities	18	383,791
Realised loss on debt investments at fair value through other comprehensive income	9,439	19,265
Foreign exchange (gain)/loss	(5,269)	80,911
Share of results of associates	2,678	1,146
Share of results of joint ventures	(7,771)	1,141
Operating cash flows before movements in working capital	(337,524)	(682,220)
(Increase)/decrease in other assets	(6,628)	1,749
(Increase)/decrease in financial assets at fair value through profit or loss	(12,514)	693,060
(Decrease)/increase in financial liabilities at fair value through profit or loss	(404,117)	1,051,588
Increase in derivative financial assets	–	(373,666)
Decrease in derivative financial liabilities	(8)	(4,420)
(Increase)/decrease in accounts receivable	(103,820)	469,758
(Increase)/decrease in margin loans to customers	(52,973)	367,244
Decrease/(increase) in loans and advances	454,818	(273,516)
Decrease in receivable from reverse repurchase agreements	–	106,130
Decrease in amount due from the ultimate holding company	60,967	–
Increase in contract assets	–	(1,656)
(Increase)/decrease in amounts due from related parties	(39)	394
Decrease/(increase) in amount due from a fellow subsidiary	17	(21)
Decrease/(increase) in other receivables and prepayments	158,473	(184,489)
(Decrease)/increase in accounts payable	(378,036)	618,413
Decrease in amount due to the ultimate holding company	–	(1,240)
Decrease in provision for staff costs	(35,257)	(68,074)
Increase/(decrease) in other payables and accrued expenses	242,944	(23,618)
Increase/(decrease) in contract liabilities	38,086	(7,446)
Net cash (used in)/generated from operations	(375,611)	1,687,970

Condensed Consolidated Statement of Cash Flows (Continued)

	Six months ended	
	30/6/2023 (Unaudited) HK\$'000	30/6/2022 (Unaudited) HK\$'000
Income tax paid	(7,669)	(4,945)
Interest received from loans or clients	104,080	107,762
Bank and other interest income received	50,149	10,713
Interest expenses paid	(296,783)	(96,536)
Net cash (used in)/generated from operating activities	(525,834)	1,704,964
Investing activities		
Dividend received	45,019	52,512
Bond interest income received	194,512	309,083
Purchase of property and equipment	(17,246)	(8,745)
Proceeds on disposal of property and equipment	–	10
Purchase of intangible assets	(6,485)	(229)
Distribution from associates	468	–
Capital injection to joint ventures	–	(110,373)
Capital reduction of joint ventures	14,468	–
Distribution from joint ventures	1,447	–
Purchase of financial assets at fair value through other comprehensive income	–	(861,433)
Proceeds on disposal of financial assets at fair value through other comprehensive income	872,430	934,364
Decrease in restricted cash	2,990	–
Net cash generated from investing activities	1,107,603	315,189
Financing activities		
Net repayment of bank loans and other borrowings	(652,068)	(1,949,245)
Cash payments for interest on debt securities issued	(34,199)	(34,274)
Principal elements of lease payments	(35,270)	(43,070)
Net cash used in financing activities	(721,537)	(2,026,589)
Net decrease in cash and cash equivalents	(139,768)	(6,436)
Cash and cash equivalents at 1 January	1,785,873	1,833,492
Effect of exchange rate changes on cash and cash equivalents	(106,625)	21,404
Cash and cash equivalents at 30 June	1,539,480	1,848,460

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 2022, that is included in the condensed consolidated interim report for the six months ended 30 June 2023 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 2022 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 2023 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 2022, 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 2022, 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 2023.

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.

- Amendments to HKAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to HKFRSs effective for the financial year ending 31 December 2023 do not have a material impact on the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 2022, 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.

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 and financial technology business.

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 2023 (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	47,857	5,104	22,171	-	-	-	-	75,132
— Internal	295	-	8,276	-	-	-	(8,571)	-
Interest income								
— External	-	-	-	56,827	218,471	-	-	275,298
— Internal	-	-	-	-	43,081	-	(43,081)	-
Proprietary trading income								
— External	-	-	45,784	-	(5,805)	-	-	39,979
— Internal	-	-	-	-	-	-	-	-
Other income	5,302	-	177	-	3,701	82,076	-	91,256
	<u>53,454</u>	<u>5,104</u>	<u>76,408</u>	<u>56,827</u>	<u>259,448</u>	<u>82,076</u>	<u>(51,652)</u>	<u>481,665</u>
Total expenses	(82,089)	(48,084)	(59,064)	(71,424)	(577,456)	(68,957)	51,652	(855,422)
Share of results of associates	-	-	-	-	(2,678)	-	-	(2,678)
Share of results of joint ventures	-	-	-	-	7,771	-	-	7,771
(Loss)/profit before taxation	<u>(28,635)</u>	<u>(42,980)</u>	<u>17,344</u>	<u>(14,597)</u>	<u>(312,915)</u>	<u>13,119</u>	<u>-</u>	<u>(368,664)</u>
Other disclosures								
Depreciation	(13,916)	(2,476)	(9,002)	(3,847)	(12,524)	(21,152)	-	(62,917)
Change in impairment allowance	(12)	(1)	-	(1,481)	(157,747)	-	-	(159,241)
Finance costs	(331)	(108)	(223)	(48,829)	(345,305)	(450)	43,081	(352,165)

Notes to the Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION (continued)

	Six months ended 30 June 2022 (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	63,931	24,618	21,353	-	-	-	-	109,902
— Internal	82	-	9,363	-	-	-	(9,445)	-
Interest income								
— External	-	-	-	58,180	326,780	-	-	384,960
— Internal	-	-	-	-	26,793	-	(26,793)	-
Proprietary trading income								
— External	-	-	(387,823)	-	(876,787)	-	-	(1,264,610)
— Internal	-	-	-	-	-	-	-	-
Other income	6,361	-	354	-	7,548	63,755	-	78,018
	<u>70,374</u>	<u>24,618</u>	<u>(356,753)</u>	<u>58,180</u>	<u>(515,666)</u>	<u>63,755</u>	<u>(36,238)</u>	<u>(691,730)</u>
Total expenses	(78,948)	(47,031)	(68,270)	(51,611)	(720,019)	(52,949)	36,238	(982,590)
Share of results of associates	-	-	-	-	(1,146)	-	-	(1,146)
Share of results of joint ventures	-	-	-	-	(1,141)	-	-	(1,141)
(Loss)/profit before taxation	<u>(8,574)</u>	<u>(22,413)</u>	<u>(425,023)</u>	<u>6,569</u>	<u>(1,237,972)</u>	<u>10,806</u>	<u>-</u>	<u>(1,676,607)</u>
Other disclosures								
Depreciation	(14,674)	(2,444)	(10,082)	(3,503)	(10,637)	(12,545)	-	(53,885)
Change in impairment allowance	391	(2)	-	3,615	(430,383)	-	-	(426,379)
Finance costs	(212)	(60)	(318)	(18,109)	(149,644)	(537)	26,793	(142,087)

	Six months ended	
	30/6/2023 HK\$'000 (Unaudited)	30/6/2022 HK\$'000 (Unaudited)
Total revenue from external customer by location of operations:		
— Hong Kong	385,542	(724,130)
— Mainland China	96,123	32,400
	<u>481,665</u>	<u>(691,730)</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

6. REVENUE AND OTHER INCOME

(a) Disaggregation of revenue and other income

	Six months ended	
	30/6/2023 HK\$'000 (Unaudited)	30/6/2022 HK\$'000 (Unaudited)
REVENUE		
COMMISSION AND FEE INCOME		
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
Brokerage commission	47,857	63,931
Corporate finance and underwriting fee	5,104	24,618
Asset management and advisory fee	22,171	21,353
	<u>75,132</u>	<u>109,902</u>
INTEREST INCOME		
<i>Interest income calculated using the effective interest method</i>		
Interest income from margin financing	56,827	58,180
Interest income from loans and advances	57,080	55,128
Interest income from financial assets at fair value through other comprehensive income	161,391	271,652
	<u>275,298</u>	<u>384,960</u>
PROPRIETARY TRADING INCOME		
<i>Interest income calculated using the effective interest method</i>		
Net trading and investment income		
— Interest income from financial assets at fair value through profit or loss	22,191	77,366
<i>Revenue from other sources</i>		
Net trading and investment income		
— Net gain/(loss) on financial assets at fair value through profit or loss	138,335	(1,257,755)
— Net gain on financial assets at fair value through other comprehensive income	31,043	47,187
— Net (loss)/gain on financial liabilities at fair value through profit or loss	(40,322)	153,178
— Net loss on derivative financial instruments	(73,290)	(352,778)
— Fair value changes from financial liabilities to the investors of the funds consolidated	(82,997)	15,680
Dividend income from		
— Financial assets at fair value through profit or loss	45,019	52,512
	<u>39,979</u>	<u>(1,264,610)</u>
	<u>390,409</u>	<u>(769,748)</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

6. REVENUE AND OTHER INCOME (continued)

(a) Disaggregation of revenue and other income (continued)

During the six months ended 30 June 2023 and 30 June 2022, there was no gain or loss arising from the derecognition of financial assets at amortised cost.

	Six months ended	
	30/6/2023 HK\$'000 (Unaudited)	30/6/2022 HK\$'000 (Unaudited)
OTHER INCOME		
Handling fees	5,141	6,316
Other interest income	49,961	15,785
Exchange gain	5,269	–
Computer software development and maintenance services	22,880	31,733
Information system consultancy services	45	8,957
Others	7,960	15,227
	91,256	78,018

(b) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

At the end of the Reporting Period, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$64,310 thousand (31 December 2022: HK\$26,224 thousand). This amount represents revenue expected to be recognised in the future from corporate finance, asset management and advisory services business. The Group will recognise the expected revenue in future when the remaining performance obligations under the contracts are satisfied, which is expected to occur within one year.

7. CHANGE IN IMPAIRMENT ALLOWANCE

	Six months ended	
	30/6/2023 HK\$'000 (Unaudited)	30/6/2022 HK\$'000 (Unaudited)
Change in impairment allowance on:		
Receivable from reverse repurchase agreements	–	(127)
Accounts receivable	12	(391)
Margin loans to customers	1,481	(3,615)
Loans and advances	15,666	181,552
Debt investments at fair value through other comprehensive income	127,323	202,010
Other receivables	14,759	46,950
	159,241	426,379

Notes to the Condensed Consolidated Financial Statements (Continued)

8. LOSS BEFORE TAXATION

	Six months ended	
	30/6/2023 HK\$'000 (Unaudited)	30/6/2022 HK\$'000 (Unaudited)
Loss before taxation has been arrived at after charging:		
Finance costs:		
— Interest expenses on subordinated loans from the ultimate holding company	25,027	8,574
— Interest expenses on bank loans from the ultimate holding company	26,444	4,905
— Interest expenses on bank loans and overdraft from other financial institutions	143,396	52,979
— Interest expenses on obligation under repurchase agreements	120,162	29,319
— Interest expenses on lease liabilities	1,426	1,479
— Interest expenses on financial liabilities	27	274
— Interest expenses on debt securities issued:		
— payable to the ultimate holding company	689	770
— payable to the fellow subsidiaries	2,269	2,260
— payable to other financial institutions	32,699	32,566
— Others	21	46
	<u>352,160</u>	<u>133,172</u>
— Other borrowing costs to other financial institutions	5	8,915
	<u>352,165</u>	<u>142,087</u>
Depreciation	62,917	53,885
Operating lease charges	1,738	10,057
Staff costs	184,210	143,180

Notes to the Condensed Consolidated Financial Statements (Continued)

9. INCOME TAX EXPENSE

	Six months ended	
	30/6/2023 HK\$'000 (Unaudited)	30/6/2022 HK\$'000 (Unaudited)
Current tax:		
PRC Enterprise Income Tax	26	49
Under provision in prior periods	3,298	87
Total current tax	3,324	136
Deferred tax	1,237	1,179
Income tax expense recognised in profit or loss	4,561	1,315

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	
	30/6/2023 HK\$'000 (Unaudited)	30/6/2022 HK\$'000 (Unaudited)
Dividend for previous financial year declared and approved (2022: HK\$0.05 per ordinary share)	–	136,720

Dividends attributable to the interim period

No dividend was paid or declared by the Company for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

11. LOSS PER SHARE

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

	Six months ended	
	30/6/2023 (Unaudited)	30/6/2022 (Unaudited)
Loss attributable to Shareholders of the Company (in HK\$'000)	(373,225)	(1,677,922)
Weighted average number of ordinary shares in issue (in '000 shares)	2,734,392	2,734,392
Loss per share (in HKD per share)	(0.14)	(0.61)

There were no potential diluted ordinary shares and the diluted loss per share was the same as the basic loss 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 2023 (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	<u>24,142</u>	<u>-</u>	<u>-</u>	<u>24,142</u>
Mandatorily measured at fair value through other comprehensive income				
Debt investments	<u>-</u>	<u>8,188,292</u>	<u>-</u>	<u>8,188,292</u>
	<u>24,142</u>	<u>8,188,292</u>	<u>-</u>	<u>8,212,434</u>
Analysed for reporting purposes:				
Non-current				<u>6,668,774</u>
Current				<u>1,543,660</u>
				<u>8,212,434</u>

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 2022 (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 security	3,469	–	–	3,469
Unlisted equity	–	–	6,654	6,654
	<u>3,469</u>	<u>–</u>	<u>6,654</u>	<u>10,123</u>
Mandatorily measured at fair value through other comprehensive income				
Debt investments	–	9,093,037	–	9,093,037
	<u>3,469</u>	<u>9,093,037</u>	<u>6,654</u>	<u>9,103,160</u>
Analysed for reporting purposes:				
Non-current				7,615,906
Current				<u>1,487,254</u>
				<u>9,103,160</u>

Financial assets at fair value through profit or loss

	At 30 June 2023 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity securities	370,550	1,804,968	–	2,175,518
Debt investments	–	797,607	–	797,607
Preference shares	–	–	705,104	705,104
Club debenture	–	–	1,886	1,886
Funds	21,551	–	–	21,551
Unlisted funds	–	170,349	2,475,904	2,646,253
Structured financial products	–	180,444	–	180,444
Unlisted equities	–	–	1,341,085	1,341,085
	<u>392,101</u>	<u>2,953,368</u>	<u>4,523,979</u>	<u>7,869,448</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 2022 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity securities	488,881	1,295,289	–	1,784,170
Debt investments	–	808,078	–	808,078
Preference shares	–	–	703,443	703,443
Club debenture	–	–	1,956	1,956
Funds	22,036	–	–	22,036
Unlisted funds	–	211,598	2,823,807	3,035,405
Structured financial products	–	32,234	–	32,234
Unlisted equities	–	–	1,386,112	1,386,112
	<u>510,917</u>	<u>2,347,199</u>	<u>4,915,318</u>	<u>7,773,434</u>

Derivative financial assets

	At 30 June 2023 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Others	–	20	–	20

	At 31 December 2022 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts	205	–	–	205
Others	–	475	–	475
	<u>205</u>	<u>475</u>	<u>–</u>	<u>680</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 2023 (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	(42,000)	–	(667,529)	(709,529)
Notes payable	–	(1,351,637)	–	(1,351,637)
Structured note payable	–	(12,168)	–	(12,168)
	<u>(42,000)</u>	<u>(1,363,805)</u>	<u>(667,529)</u>	<u>(2,073,334)</u>
Analysed for reporting purposes:				
Non-current				(667,529)
Current				<u>(1,405,805)</u>
				<u>(2,073,334)</u>

	At 31 December 2022 (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	(39,378)	–	(594,165)	(633,543)
Notes payable	–	(1,895,102)	–	(1,895,102)
Structured note payable	–	(15,114)	–	(15,114)
	<u>(39,378)</u>	<u>(1,910,216)</u>	<u>(594,165)</u>	<u>(2,543,759)</u>
Analysed for reporting purposes:				
Non-current				(594,165)
Current				<u>(1,949,594)</u>
				<u>(2,543,759)</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES (continued)

Derivative financial liabilities

	At 30 June 2023 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Total return swaps	-	(825)	-	(825)
Others	-	-	(4,441)	(4,441)
	<u>-</u>	<u>(825)</u>	<u>(4,441)</u>	<u>(5,266)</u>

	At 31 December 2022 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Total return swaps	-	(2,059)	-	(2,059)
Others	-	-	(3,858)	(3,858)
	<u>-</u>	<u>(2,059)</u>	<u>(3,858)</u>	<u>(5,917)</u>

Details of disclosure for fair value measurement are set out in Note 25.

13. INTEREST IN ASSOCIATES

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Unlisted investment at the beginning of the period/year	158,956	176,921
Reduction for the period/year	-	(17,965)
	<u>158,956</u>	<u>158,956</u>
Profit after acquisition		
— As at 1 January	21,856	21,652
— Share of (loss)/profit for the period/year	(2,678)	7,874
Distribution for the period/year	(468)	(7,670)
Accumulated exchange difference arising from translation of foreign operations	(9,662)	(3,501)
	<u>168,004</u>	<u>177,311</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

14. LOANS AND ADVANCES

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Gross loans and advances	1,962,672	2,417,491
Less: impairment allowance	(601,247)	(585,581)
	<u>1,361,425</u>	<u>1,831,910</u>
Net loans and advances:		
Non-current	626,973	608,838
Current	734,452	1,223,072
	<u>1,361,425</u>	<u>1,831,910</u>

The maximum exposure to credit risk at the reporting date is the carrying value of loans and advances above.

15. ACCOUNTS RECEIVABLE

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Corporate finance and underwriting business	16,844	15,336
Dealing in securities and futures business		
— Clients	343,807	252,935
— Brokers	108,259	132,799
— Clearing house	90,990	55,011
	<u>543,056</u>	<u>440,745</u>
Less: impairment allowance	(5,402)	(5,390)
	<u>554,498</u>	<u>450,691</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

15. ACCOUNTS RECEIVABLE (continued)

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

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Current (not past due)	544,141	441,974
Less than 31 days past due	451	21
31–60 days past due	1,291	16
61–90 days past due	6	–
Over 90 days past due	14,011	14,070
	<u>15,759</u>	<u>14,107</u>
Less: impairment allowance	(5,402)	(5,390)
	<u>554,498</u>	<u>450,691</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.

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)

16. OTHER RECEIVABLES AND PREPAYMENTS

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Other receivables	816,233	972,892
Less: impairment allowance	(95,474)	(80,715)
	720,759	892,177
Prepayments	18,666	21,771
	739,425	913,948

As at 30 June 2023, rental deposit for the properties leased from the ultimate holding company and a fellow subsidiary were HK\$619 thousand (31 December 2022: HK\$642 thousand) and HK\$7,278 thousand (31 December 2022: HK\$13,577 thousand) respectively.

17. MARGIN LOANS TO CUSTOMERS

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Gross margin loans to customers	1,749,755	1,696,781
Less: impairment allowance	(114,662)	(113,181)
Net margin loans to customers	1,635,093	1,583,600

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)

18. CASH AND BANK BALANCES

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Current and savings accounts	1,539,480	1,785,873
Time deposits with original maturity of more than three months	1,681	1,681
Restricted cash	–	2,990
	<u>1,541,161</u>	<u>1,790,544</u>

As at 30 June 2023, bank balances held at the ultimate holding company and a fellow subsidiary were HK\$1,213,513 thousand (31 December 2022: HK\$1,268,898 thousand) and HK\$2,968 thousand (31 December 2022: HK\$1,046 thousand) respectively.

19. BORROWINGS

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Bank loans and other borrowings		
Current — ultimate holding company (Note 23)	1,607,250	1,667,100
Current — authorised institutions	5,191,445	6,012,701
	<u>6,798,695</u>	<u>7,679,801</u>
Obligation under repurchase agreements		
Non-current	3,933,348	1,681,011
Current	2,027,724	4,073,031
	<u>5,961,072</u>	<u>5,754,042</u>
Subordinated loans (Note 23)		
Non-current	1,000,000	1,000,000
Total	<u>13,759,767</u>	<u>14,433,843</u>

As at 30 June 2023, the carrying amount included within financial assets sold under repurchase agreements was HK\$7,204,609 thousand (31 December 2022: HK\$6,750,426 thousand).

Notes to the Condensed Consolidated Financial Statements (Continued)

19. BORROWINGS (continued)

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

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Bank loans and other borrowings		
Within 1 year	8,826,419	11,752,832
Between 1 and 2 years	884,711	169,771
Between 2 and 5 years	2,438,558	1,099,752
Over 5 years	610,079	411,488
	12,759,767	13,433,843
Undated	1,000,000	1,000,000
	13,759,767	14,433,843

As at 30 June 2023 and 31 December 2022, all bank borrowings were unsecured. Bank borrowings at 30 June 2023 were charged at floating interest rate ranging from base point plus 0.5% to 1% per annum.

20. DEBT SECURITIES ISSUED

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Debt securities issued	3,902,742	3,881,848

The outstanding balance of HK\$3,902,742 thousand (31 December 2022: HK\$3,881,848 thousand) 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 2023, the debt securities issued bore fixed interest rate of 1.75% per annum (31 December 2022: 1.75% per annum). The notes will mature on 28 June 2026. Among which, debt securities of US\$10 million and US\$28 million (31 December 2022: US\$10 million and US\$28 million) were held by the ultimate holding company and a fellow subsidiary respectively. The carrying amount of the debt securities issued approximate to their fair value.

Notes to the Condensed Consolidated Financial Statements (Continued)

21. ACCOUNTS PAYABLE

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

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Clients — trade settlement	4,014	397,447
Clearing house	106,239	145,971
Brokers	76,979	22,027
	<u>187,232</u>	<u>565,445</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 house.

22. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30/6/2023 Thousand Shares (Unaudited)	Year ended 31/12/2022 Thousand Shares (Audited)	Six months ended 30/6/2023 HK\$'000 (Unaudited)	Year ended 31/12/2022 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)

23. 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

Transaction	Six months ended	
	30/6/2023	30/6/2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Interest income from deposits	8,359	10,164
Finance costs	52,160	15,021
Computer software development and maintenance service income	16,376	5,321
Information system consultancy service income	–	6,714
Commission expenses	203	909
Asset management and advisory fee	1,593	1,520
Fund management fee income	4,717	8,216
Underwriting fee income	16	78
Rental expenses	2,145	2,405
Other operating expenses	488	853
Trading loss from derivatives transactions*	–	9,128

* 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

23. RELATED PARTY TRANSACTIONS (continued)

(a) Ultimate holding company (continued)

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Balance of transaction		
Right-of-use assets	8,623	10,544
Amount due from the ultimate holding company	16,116	77,083
Borrowings	1,607,250	1,667,100
Subordinated loans	1,000,000	1,000,000

(b) Fellow subsidiaries, associates and joint ventures

	Six months ended	
	30/6/2023 HK\$'000 (Unaudited)	30/6/2022 HK\$'000 (Unaudited)
Transaction		
Interest income from deposits	46	27
Finance costs	2,269	2,265
Commission income	2,713	4,075
Commission expenses	667	1,613
Asset management and advisory fee	8,141	5,739
Rental expenses	14,192	22,707
Other operating expenses	1,633	902

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Balance of transaction		
Right-of-use assets	69,315	85,185
Accounts receivable	103,801	39,065
Amount due from a fellow subsidiary	7	24

Notes to the Condensed Consolidated Financial Statements (Continued)

23. RELATED PARTY TRANSACTIONS (continued)

(c) Related parties

	Six months ended	
	30/6/2023 HK\$'000 (Unaudited)	30/6/2022 HK\$'000 (Unaudited)
Transaction		
Fund management fee income	–	45
	<u>–</u>	<u>45</u>
	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Balance of transaction		
Gross amounts due from related parties	275	236
Less: impairment allowance	–	–
	<u>275</u>	<u>236</u>

24. COMMITMENTS

Operating leases commitments

At the end of the Reporting Period, the Group had commitments for future aggregate minimum lease payments under non-cancellable operating leases as follows:

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
No later than 1 year	117	234
	<u>117</u>	<u>234</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

24. COMMITMENTS (continued)

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.

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Unfunded commitments	321,088	351,816

25. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include financial assets at fair value through other comprehensive income, financial assets and financial liabilities at fair value through profit or loss, derivative financial assets and derivative financial liabilities, other assets, accounts and other receivables, loans and advances, margin loans to customers, amounts due from the ultimate holding company, a fellow subsidiary and related parties, cash and bank balances, accounts and other payable, borrowings, obligation under repurchase agreements, debt securities issued, lease liabilities and subordinated loans from the ultimate holding company. 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (continued)

Apart from the above, in order to effectively manage its credit risk exposure, the Group has also adopted the following measures in order to effectively manage its credit risks:

- the Group conducts its loan business in accordance with the annual capital allocated to such business and the risk appetite thresholds;
- the relevant department carries out due diligence on the potential client, including conducting a company search at the registrar as well as litigation and bankruptcy searches, and also conducts due diligence on the potential client's affiliates, guarantors, substantial shareholders and senior management, as applicable;
- the relevant business department prepares an internal memorandum for internal review and assessment, which includes primarily an executive summary of the new projects, background, description of the potential clients (including, among others, shareholders, senior management, corporate structure, business, financial conditions, industry analysis, market position, prospects), deal structure, use of funds, transaction terms, investment highlights, risk analysis, return analysis, exit plans, due diligence report and follow up actions;
- the Group conducts preliminary review and official review on the potential clients. Only those clients selected out of the preliminary review will be submitted for official review;
- during the preliminary review, the risk management department will review the internal memorandum from a risk management perspective, focusing on whether all the key aspects of an investment or loan project have been properly addressed and whether the information so provided in the internal memorandum is reasonable to address the key risks involved; and the legal and compliance department will review the internal memorandum from a legal and compliance perspective, focusing on the conflict of interests check, proposed legal terms of the transaction and overall legal compliance matters. The two departments may request further information from the relevant business department;
- during the official review, subject to the delegated authorities, the senior management or investment committee of the Company will further review the internal memorandum, which has been reviewed and agreed by the risk management department and the legal and compliance department, and convene a review meeting with the relevant business department in charge of the potential clients. At the review meeting, the relevant business department will introduce the potential client and our senior management or investment committee (as the case may be) will raise questions and recommendations, leveraging the committee members' respective experiences and expertise, in order to make well-considered and comprehensive investment or lending decisions;

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (continued)

- if any post-approval material changes occur to the clients or its board of directors, transaction amount, guarantor, collateral, valuation, legality of relevant legal documents or other factors that affect the Group's interests, as applicable, supplemental reports explaining the changes and their effect are required to be submitted to the senior management or the investment committee (as the case may be) for review;
- the Group continually monitors all ongoing clients from off-site and obtain from time to time information about any changes in the clients' composition of senior management, industry trends, business operations and financial condition, especially cash flow status, and verify such information with the relevant clients via phone calls or emails;
- the relevant business department will communicate any material risk events to the heads of the relevant departments, and submit examination reports to the senior management and the risk management committee for advice on further risk management actions and start collection or exiting processes; and
- the relevant business departments and functional departments will together closely monitor the financial covenants and track the maturity of the respective loans during the post-investment period. If any event of default occurs, corresponding steps will be taken in accordance with the relevant facility agreement. In cases where the client fails to pay on time, the situation will be timely reported to the senior management and the business department will negotiate with the client to reach a repayment or restructuring plan and legal actions may be taken, if necessary.

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 2022.

Notes to the Condensed Consolidated Financial Statements (Continued)

25. 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 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL (credit- impaired) HK\$'000	
(a) Margin loans to customers				
Gross carrying amount as at 1 January 2023	1,435,077	83,100	178,604	1,696,781
Increases	277,745	1	447	278,193
Decreases	(211,901)	(13,318)	–	(225,219)
Transfers between stages				
— Increase	3,099	–	–	3,099
— Decrease	–	(3,099)	–	(3,099)
As at 30 June 2023	<u>1,504,020</u>	<u>66,684</u>	<u>179,051</u>	<u>1,749,755</u>
Gross carrying amount as at 1 January 2022	1,946,702	28,061	198,729	2,173,492
Increases	288,306	5,895	782	294,983
Decreases	(698,819)	(51,968)	(17,733)	(768,520)
Write-off	–	–	(3,174)	(3,174)
Transfers between stages				
— Increase	97	101,209	–	101,306
— Decrease	(101,209)	(97)	–	(101,306)
As at 31 December 2022	<u>1,435,077</u>	<u>83,100</u>	<u>178,604</u>	<u>1,696,781</u>
(b) Other receivables, amounts due from the ultimate holding company, a fellow subsidiary and related parties				
Gross carrying amount as at 1 January 2023	956,454	13,424	80,357	1,050,235
Increases	50,786	512	12,592	63,890
Decreases	(275,729)	(5,645)	(120)	(281,494)
Transfers between stages				
— Increase	–	4,586	2,261	6,847
— Decrease	(6,270)	(577)	–	(6,847)
As at 30 June 2023	<u>725,241</u>	<u>12,300</u>	<u>95,090</u>	<u>832,631</u>
Gross carrying amount as at 1 January 2022	575,960	28,111	13,607	617,678
Increases	440,393	5,655	30,806	476,854
Decreases	(34,863)	(6,608)	(2,826)	(44,297)
Transfers between stages				
— Increase	–	9,778	38,770	48,548
— Decrease	(25,036)	(23,512)	–	(48,548)
As at 31 December 2022	<u>956,454</u>	<u>13,424</u>	<u>80,357</u>	<u>1,050,235</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. 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	
(c) Debt investments at FVOCI				
Gross carrying amount as at 1 January 2023	8,368,339	295,138	429,560	9,093,037
Increases	245,848	–	–	245,848
Decreases	(631,335)	(200,226)	(319,032)	(1,150,593)
Transfers between stages				
— Increase	–	116,941	63,528	180,469
— Decrease	(116,941)	(63,528)	–	(180,469)
As at 30 June 2023	<u>7,865,911</u>	<u>148,325</u>	<u>174,056</u>	<u>8,188,292</u>
Gross carrying amount as at 1 January 2022	11,942,245	569,408	26,818	12,538,471
Increases	592,029	61,051	9,858	662,938
Decreases	(3,281,584)	(554,803)	(271,985)	(4,108,372)
Transfers between stages				
— Increase	–	591,981	664,869	1,256,850
— Decrease	(884,351)	(372,499)	–	(1,256,850)
As at 31 December 2022	<u>8,368,339</u>	<u>295,138</u>	<u>429,560</u>	<u>9,093,037</u>
(d) Loans and advances				
Gross carrying amount as at 1 January 2023	1,332,795	–	1,084,696	2,417,491
Increases	272	–	15,797	16,069
Decreases	(253,493)	–	(217,395)	(470,888)
Transfers between stages				
— Increase	–	–	515,857	515,857
— Decrease	(515,857)	–	–	(515,857)
As at 30 June 2023	<u>563,717</u>	<u>–</u>	<u>1,398,955</u>	<u>1,962,672</u>
Gross carrying amount as at 1 January 2022	1,397,499	389,100	341,466	2,128,065
Increases	632,511	–	113	632,624
Decreases	(339,243)	–	(3,955)	(343,198)
Transfers between stages				
— Increase	–	–	747,072	747,072
— Decrease	(357,972)	(389,100)	–	(747,072)
As at 31 December 2022	<u>1,332,795</u>	<u>–</u>	<u>1,084,696</u>	<u>2,417,491</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	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	
(e) Receivable from reverse repurchase agreements				
Gross carrying amount as at 1 January 2023	-	-	-	-
Increases	-	-	-	-
Decreases	-	-	-	-
As at 30 June 2023	-	-	-	-
Gross carrying amount as at 1 January 2022	106,130	-	-	106,130
Increases	-	-	-	-
Decreases	(106,130)	-	-	(106,130)
As at 31 December 2022	-	-	-	-

	Stage of assets				Total HK\$'000
	Stage 1	Stage 2	Stage 3	Lifetime	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Lifetime ECL (simplified approach) HK\$'000	
(f) Accounts receivable					
Gross carrying amount as at 1 January 2023	-	-	-	456,081	456,081
Increases	-	-	-	116,819	116,819
Reverses	-	-	-	(13,000)	(13,000)
As at 30 June 2023	-	-	-	559,900	559,900
Gross carrying amount as at 1 January 2022	-	-	-	1,265,927	1,265,927
Increases	-	-	-	10,839	10,839
Reverses	-	-	-	(820,685)	(820,685)
As at 31 December 2022	-	-	-	456,081	456,081

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

As at 30 June 2023 and 31 December 2022, 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 2023	550	98	112,533	113,181
Increases	609	1	942	1,552
Reverses	(54)	(17)	–	(71)
Transfers between stages				
— Increase	1	–	–	1
— Decrease	–	(1)	–	(1)
As at 30 June 2023	<u>1,106</u>	<u>81</u>	<u>113,475</u>	<u>114,662</u>
As at 1 January 2022	2,700	8	93,883	96,591
Increases	84	95	24,146	24,325
Reverses	(2,232)	(7)	(2,322)	(4,561)
Write-off	–	–	(3,174)	(3,174)
Transfers between stages				
— Increase	–	2	–	2
— Decrease	(2)	–	–	(2)
As at 31 December 2022	<u>550</u>	<u>98</u>	<u>112,533</u>	<u>113,181</u>
(b) Other receivables, amounts due from the ultimate holding company, a fellow subsidiary and related parties				
As at 1 January 2023	262	97	80,356	80,715
Increases	38	78	14,729	14,845
Reverses	(46)	(40)	–	(86)
Transfers between stages				
— Increase	–	6	4	10
— Decrease	(6)	(4)	–	(10)
As at 30 June 2023	<u>248</u>	<u>137</u>	<u>95,089</u>	<u>95,474</u>
As at 1 January 2022	262	154	13,606	14,022
Increases	124	135	66,751	67,010
Reverses	(110)	(18)	(189)	(317)
Transfers between stages				
— Increase	–	9	188	197
— Decrease	(14)	(183)	–	(197)
As at 31 December 2022	<u>262</u>	<u>97</u>	<u>80,356</u>	<u>80,715</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	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	
(c) Debt investments at FVOCI				
As at 1 January 2023	14,868	10,510	835,191	860,569
Increases	2,462	6,881	131,872	141,215
Reverses	(2,063)	(4,253)	(7,576)	(13,892)
Transfers between stages				
— Increase	—	712	4,700	5,412
— Decrease	(712)	(4,700)	—	(5,412)
As at 30 June 2023	<u>14,555</u>	<u>9,150</u>	<u>964,187</u>	<u>987,892</u>
As at 1 January 2022	17,428	19,899	151,704	189,031
Increases	7,522	21,518	671,426	700,466
Reverses	(3,242)	(8,802)	(11,034)	(23,078)
Derecognise	(4,478)	(1,222)	(150)	(5,850)
Transfers between stages				
— Increase	—	1,714	23,245	24,959
— Decrease	(2,362)	(22,597)	—	(24,959)
As at 31 December 2022	<u>14,868</u>	<u>10,510</u>	<u>835,191</u>	<u>860,569</u>
(d) Loans and advances				
As at 1 January 2023	659	—	584,922	585,581
Increases	81	—	15,822	15,903
Reverses	(155)	—	(82)	(237)
Transfers between stages				
— Increase	—	—	119	119
— Decrease	(119)	—	—	(119)
As at 30 June 2023	<u>466</u>	<u>—</u>	<u>600,781</u>	<u>601,247</u>
As at 1 January 2022	1,752	34	153,227	155,013
Increases	533	—	431,175	431,708
Reverses	(1,140)	—	—	(1,140)
Transfers between stages				
— Increase	—	—	520	520
— Decrease	(486)	(34)	—	(520)
As at 31 December 2022	<u>659</u>	<u>—</u>	<u>584,922</u>	<u>585,581</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	Stage of assets			Total HK\$'000
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL (credit- impaired)	
	HK\$'000	HK\$'000	HK\$'000	
(e) Receivable from reverse repurchase agreements				
As at 1 January 2023	-	-	-	-
Increases	-	-	-	-
Reverses	-	-	-	-
As at 30 June 2023	-	-	-	-
As at 1 January 2022	127	-	-	127
Increases	-	-	-	-
Reverses	(127)	-	-	(127)
As at 31 December 2022	-	-	-	-

	Stage of assets				Total HK\$'000
	Stage 1	Stage 2	Stage 3	Lifetime	
	12-month ECL	Lifetime ECL	Lifetime ECL (credit- impaired)	Lifetime ECL (simplified approach)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(f) Accounts receivable					
As at 1 January 2023	-	-	-	5,390	5,390
Increases	-	-	-	12	12
Reverses	-	-	-	-	-
As at 30 June 2023	-	-	-	5,402	5,402
As at 1 January 2022	-	-	-	4,485	4,485
Increases	-	-	-	924	924
Reverses	-	-	-	(19)	(19)
As at 31 December 2022	-	-	-	5,390	5,390

Notes to the Condensed Consolidated Financial Statements (Continued)

25. 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 forward-looking macroeconomic information including unemployment rate, current account balance, total investment balance, volume of imports and exports of goods and services are 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 2023 and 31 December 2022, 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:

	30/6/2023		31/12/2022	
	Optimistic +10% HK\$'000	Pessimistic +10% HK\$'000	Optimistic +10% HK\$'000	Pessimistic +10% HK\$'000
Loans and advances	34	(165)	35	(286)
Debt securities	1,676	(4,869)	1,433	(6,360)
Margin finance	43	(20)	19	(26)

Notes to the Condensed Consolidated Financial Statements (Continued)

25. 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 2023.

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)

25. 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 2023	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income				
Unlisted equities	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
	Equity allocation method	Volatility	29.15%- 74.48%	(vi)
	Equity allocation method	Sales multiples	2.0x- 12.1x	(iii)
Unlisted funds	Equity allocation method	Sales multiples	1.7x	(iii)
	Allocated net asset value	Net asset value	N/A	(iv)
	Recent transaction price	(i)	N/A	N/A
	Equity allocation method	Volatility	39.16%- 69.92%	(vi)
Preference shares	Recent transaction price	(i)	N/A	N/A
	Equity allocation method	Volatility	43.93%- 68.12%	(vi)
	Equity allocation method	Sales multiples	1.7x-8.7x	(iii)
Financial liabilities at fair value through profit or loss				
Financial liabilities to the investors of the funds consolidated	Allocated net asset value	Net asset value	N/A	(iv)

Notes to the Condensed Consolidated Financial Statements (Continued)

25. 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 2022	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
	Equity allocation method	Volatility	44.93%-78.30%	(vi)
Unlisted funds	Equity allocation method	Sales multiples	2.2x-10.9x	(iii)
	Equity allocation method	Sales multiples	2.3x	(iii)
	Allocated net asset value	Net asset value	N/A	(iv)
Preference shares	Recent transaction price	(i)	N/A	N/A
	Equity allocation method	Volatility	86.81%	(vi)
	Recent transaction price	(i)	N/A	N/A
	Equity allocation method	Volatility	57.79%-81.96%	(vi)
Financial liabilities at fair value through profit or loss	Equity allocation method	Sales multiples	1.6x-7.5x	(iii)
	Financial liabilities to the investors of the funds consolidated	Allocated net asset value	Net asset value	N/A (iv)

(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.

(v) The higher the expected return, the higher the fair value.

(vi) The higher the volatility, the lower the fair value.

Notes to the Condensed Consolidated Financial Statements (Continued)

25. 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 following tables present the changes in Level 3 instruments for the six months ended 30 June 2023 and for the year ended 31 December 2022.

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Financial assets at fair value through other comprehensive income		
Beginning of the period/year	6,654	7,282
Transfer during the period/year	(6,748)	–
Net gain/(loss) recognised in other comprehensive income	94	(628)
End of the period/year (Note 12)	<u>–</u>	<u>6,654</u>
Financial assets at fair value through profit or loss		
Beginning of the period/year	4,915,318	4,719,759
Addition during the period/year	41,899	694,611
Disposal during the period/year	(487,921)	(295,246)
Transfer during the period/year	–	(22,158)
Net gain/(loss) recognised in profit or loss	111,180	(63,700)
Exchange adjustments	(56,497)	(117,948)
End of the period/year (Note 12)	<u>4,523,979</u>	<u>4,915,318</u>
Derivative financial assets		
Beginning of the period/year	–	78,500
Disposal during the period/year	–	(78,500)
End of the period/year (Note 12)	<u>–</u>	<u>–</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. 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)

	30/6/2023 HK\$'000 (Unaudited)	31/12/2022 HK\$'000 (Audited)
Financial liabilities at fair value through profit or loss		
Beginning of the period/year	594,165	–
Reclassification adjustment	–	616,169
Adjusted balance	594,165	616,169
Net loss/(gain) recognised in profit or loss	73,364	(22,004)
End of the period/year (Note 12)	<u>667,529</u>	<u>594,165</u>
Derivative financial liabilities		
Beginning of the period/year	3,858	555
Addition during the period/year	20,233	3,258
Disposal during the period/year	(19,653)	–
Net loss recognised in profit or loss	3	45
End of the period/year (Note 12)	<u>4,441</u>	<u>3,858</u>

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.

26. NON-ADJUSTING EVENT AFTER REPORTING PERIOD

Subsequent to the end of the Reporting Period, one of the issuers of bond investments at fair value through other comprehensive income failed to pay the interest payable on the interest payment date on the other bonds that are not held by the Group, and no default was triggered as it is currently within the grace period for payment. As at 30 June 2023, the Group held an outstanding notional principal amount of approximately US\$21.5 million in respect of this issuer. The Group has been closely monitoring the impact of developments on the issuer and prompt actions will be undertaken to mitigate potential impacts whenever necessary.

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.



Glossary

“1H”	the first six months of a particular 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 being the ultimate controlling Shareholder of the Company
“BOCOM Group”	BOCOM and its subsidiaries (excluding the Group)
“BOCOM International (Shanghai)”	BOCOM International (Shanghai) Equity Investment Management Co., Ltd. (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 Private Equity Fund Management (Shenzhen) Company Limited (交銀國際私募股權基金管理（深圳）有限公司), a company incorporated in the PRC with limited liability on 3 February 2016, a 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
“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”	the Corporate Governance Code as set out 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
“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(s)”	initial public offering(s)
“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”	the People’s Republic of China
“QDIE”	Qualified Domestic Investment Entity
“QFLP”	Qualified Foreign Limited Partnership
“Reporting Period”	the six months ended 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC
“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



Glossary

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange” 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
“US Federal Reserve”	the Federal Reserve System of the US