



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

2024

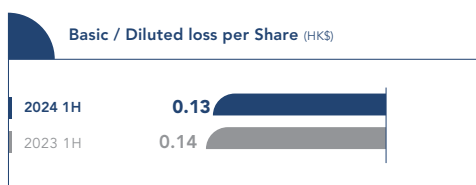
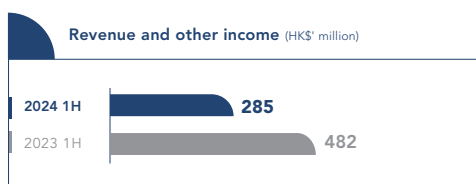


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Financial Highlights

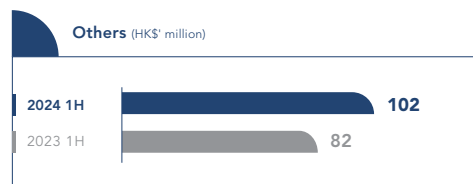
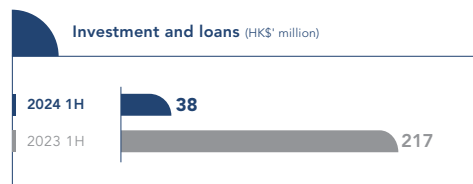
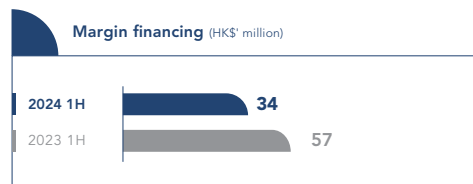
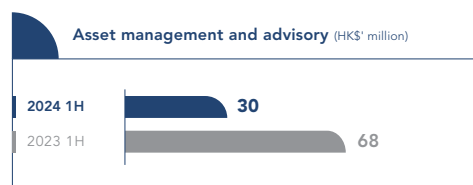
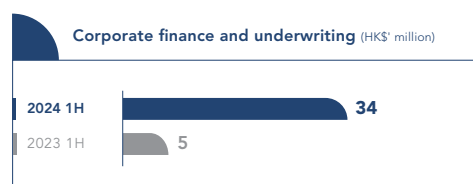
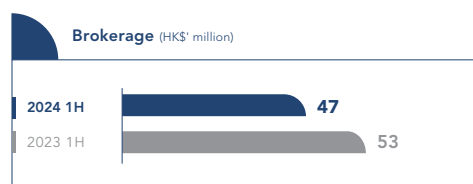
Results



Financial Position



Revenue and other income by segment



Corporate Information

BOARD OF DIRECTORS

Executive Directors

TAN Yueheng (Chairman)
XIE Jie (Chief Executive Officer)
(appointment effective from 27 March 2024)
WANG Xianjia (Deputy Chief Executive Officer
and Chief Risk Officer)

Non-executive Directors

SHAN Zengjian
ZHU Chen
(redesignation effective from 27 March 2024)
WANG Yongqing
(appointment effective from 27 March 2024)

Independent Non-executive Directors

TSE Yung Hoi
MA Ning
LIN Zhijun

BOARD COMMITTEES

Strategy and Risk Management Committee

TAN Yueheng (Chairman)
XIE Jie
(appointment effective from 27 March 2024)
WANG Xianjia
SHAN Zengjian
ZHU Chen
WANG Yongqing
(appointment effective from 27 March 2024)

Audit Committee

LIN Zhijun (Chairman)
TSE Yung Hoi
MA Ning
(appointment effective from 27 March 2024)
SHAN Zengjian
WANG Yongqing
(appointment effective from 27 March 2024)

Remuneration Committee

TSE Yung Hoi (Chairman)
MA Ning
LIN Zhijun
WANG Xianjia
(cessation effective from 27 March 2024)
SHAN Zengjian
ZHU Chen
(appointment effective from 27 March 2024)

Nomination Committee

MA Ning (Chairman)
TSE Yung Hoi
LIN Zhijun
WANG Xianjia
(cessation effective from 27 March 2024)

SHAN Zengjian
(cessation effective from 27 March 2024)
ZHU Chen
(appointment effective from 27 March 2024)
WANG Yongqing
(appointment effective from 27 March 2024)

COMPANY SECRETARY

YI Li

AUTHORISED REPRESENTATIVES

WANG Xianjia
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 2024, the global economic environment faced a series of complexities. U.S. economic growth has slowed in a high-interest rate environment; the European economy has improved marginally; and the global manufacturing sentiment has rebounded. These have driven a pick-up in emerging markets' growth. Global monetary policy is "overall tight with some loosening", and among major overseas central banks, the European Central Bank has taken the lead to cut interest rate. Both inflation and employment in the U.S. have shown signs of slowdown, lifting the likelihood of a rate cut by the Federal Reserve.

As China's macroeconomic policies continue to take effect, the overall economic activity is stable. In the first half of 2024, the Chinese economy achieved a year-on-year growth of 5.0%. On the one hand, domestic demand continued to recover. As consumption-boosting policies gradually took effect, consumption potential continued to be released and consumption steadily grew. With the accelerated implementation of stimulus measures such as large-scale equipment upgrade and issuance of ultra-long-term special government bonds, investment grew steadily. On the other hand, China continued to promote high-standard opening up to the world and accelerated the cultivation of new momentum for foreign trade, resulting in a steady growth of foreign trade and continuous optimization of trade structure. The Hong Kong market saw a total of 29 new listings on the Stock Exchange in the first half of 2024 (excluding the listing of special purpose acquisition companies and transfer of listing from GEM to Main Board). The number of new listings decreased by 6.45% as compared with the corresponding period in 2023. The aggregate amount of funds raised through IPOs was HK\$13.15 billion, representing a decrease of 26.04% as compared with the corresponding period in 2023. The Hang Seng Index rose 3.94% in the first half of 2024, but there was a significant divergence in sector performance. Energy, materials and communication services performed well, while healthcare, consumer staples and real estate lagged.

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 fulfil various investment and financing needs of clients. In the first half of 2024, the Group adhered to the strategy of gradually transitioning to a business model primarily operating with light assets and enhanced licensed operations. Nevertheless, as a result of the impact brought by the market environment and various other factors, the Group incurred a loss of HK\$355.3 million for the Reporting Period as compared to that of HK\$373.2 million for the same period in 2023.

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.

In the first half of 2024, due to high uncertainty of the credit cycle, among other factors, the global capital market sentiment remained relatively sluggish, 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 one hand, our team continued to leverage the Group's strengths by optimising our client structure through the expansion of our portfolio to include local, corporate, and industrial investment clients. On the other hand, we have made advance planning according to market changes, seized the market window, and actively conducted marketing activities to acquire clients for the replacement of strategies such as duration conversion, so as to smooth out the fluctuations in income brought about by the market cycle through diversified products.

For the six months ended 30 June 2024, our commission and fee income from the securities brokerage business was HK\$42.3 million, representing a decrease of HK\$5.6 million or 11.5% as compared with the corresponding period in 2023.

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 2024		2023	
	HK\$'million	%	HK\$'million	%
Hong Kong stocks	25.5	60.3	34.6	72.2
Non-Hong Kong stocks	4.5	10.6	5.9	12.3
Bonds	9.2	21.8	4.4	9.2
Others	3.1	7.3	3.0	6.3
	42.3	100.0	47.9	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 2024, the number of margin client accounts increased to 9,727. The monthly average loan balance decreased and interest income from margin loans for the six months ended 30 June 2024 was HK\$33.8 million, representing a decrease of HK\$23 million or 40.6% as compared with the corresponding period in 2023.

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

	30/6/2024	31/12/2023
Number of margin accounts	9,727	9,710
Balance of gross margin loans (HK\$'million)	963.2	1,325.6
Monthly average balance (HK\$'million)	1,170.1	1,727.0
Highest month end balance (HK\$'million)	1,331.5	1,935.2
Lowest month end balance (HK\$'million)	963.2	1,325.6
Margin value (HK\$'million) (Note 1)	961.2	1,156.2
Market value (HK\$'million) (Note 2)	2,925.4	4,028.7

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 2024, there were a total of 29 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 decreased by 6.45% as compared with the corresponding period in 2023. The aggregate amount of funds raised through IPOs was HK\$13.15 billion, representing a decrease of 26.04% as compared with the corresponding period in 2023.

During the Reporting Period, we acted as a sole sponsor for one completed IPO Main Board listing project. Furthermore, we acted as a bookrunner for eight completed IPO Main Board listing projects. In respect of debt capital markets, we completed 47 debt issuance projects and successfully assisted corporations in raising USD9.96 billion in aggregate. We also acted as financial advisor for one completed financial advisory project and one completed compliance advisory project.

For the six months ended 30 June 2024, our commission and fee income from corporate finance and underwriting services was HK\$33.7 million, representing an increase of HK\$28.6 million or 560.6% as compared to HK\$5.1 million in the corresponding period of 2023.

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.

As a fund manager, we have continued to build up our core competitiveness in investment and research integration. In particular, for the six months ended 30 June 2024, BOCOM International Dragon Core Growth Fund had a return of 6.85%, ranking in the top 10 percent of its category in the Hong Kong market. We have established over ten BOCOM science and technology innovation equity investment series funds in provinces and cities such as Shanghai, Jiangsu, Zhejiang, Hubei, Shandong, Hebei and Shenzhen, which focus on investing in high-quality enterprises engaged in fields such as new energy automobiles, new energy, semiconductors, artificial intelligence, new materials, bio-pharmaceuticals, and next generation information technology. Leveraging on BOCOM's group resources, we also provided a full range of integrated financial services to these high-quality science and innovation enterprises. 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 that receive substantial local support. It invests in the respective sub-funds of such investment institutions, aiming to assist local governments in attracting investment and capital and foster the growth of sub-fund investors, through creating synergy in collaboration with the resources of BOCOM Group. Furthermore, we provided investors in the PRC 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 2024, we have established 11 QFLP funds and one QDIE fund, of which our QFLP fund has become the first fund of its kind to be established in Hainan and Qingdao.

As at 30 June 2024, the total amount of our AUM was approximately HK\$17,357.2 million, representing a decrease of 10.0% from HK\$19,283.6 million as at 31 December 2023. For the six months ended 30 June 2024, asset management and advisory fee income decreased by HK\$2.2 million or 9.9%, as compared to the same period in 2023, to HK\$20.0 million. Proprietary trading gain was HK\$10.0 million, representing the refund of the guarantee fee payment as compared to a proprietary trading gain of HK\$45.8 million for the same period in 2023.

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 centered on new quality productive forces by closely monitoring strategic emerging industries, advanced manufacturing industries, areas such as those with technological innovation and upgrading of traditional industries, and participated 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.

Management Discussion and Analysis

For structured financing and corporate loans, we launched a full spectrum of credit business during the Reporting Period, 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 six clients, comprising one individual client and five corporate clients. Our corporate clients primarily included corporate clients in the real estate industry and stated-owned enterprises, to which the principal amount of loans granted amounted to HK\$708 million and HK\$505 million, respectively, as at 30 June 2024 (as at 31 December 2023: the principal amount of loans granted to corporate clients in the real estate industry, stated-owned enterprises and pharmaceuticals industry amounted to HK\$798 million, HK\$520 million and HK\$55 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 five clients was HK\$1,274 million, accounting for 94.7% of the total amount of loans granted by the Group during the Reporting Period, in which HK\$505 million was granted to the single largest client, representing 37.6% of the total amount of loans granted by the Group during the Reporting Period (as at 31 December 2023: the aggregate amount of loans granted to the top five clients was HK\$1,301 million, accounting for 86.5% of the total amount of loans granted by the Group during 2023, in which HK\$520 million was granted to the single largest client, representing 34.6% of the total amount of loans granted by the Group during 2023).

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 8.0% per annum, whilst the interest rates charged for the long-term loans ranged from 6.5% to 7.0% per annum (as at 31 December 2023: the interest rates charged for the short-term loans ranged from 5.25% to 8.78% per annum, whilst the interest rates charged for the long-term loans ranged from 5.5% to 7.0% 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 2024, interest income from loans and advances and financial assets at fair value through other comprehensive income was HK\$128.9 million, representing a decrease of approximately 41.0% as compared to HK\$218.5 million for the same period in 2023. Proprietary trading loss was HK\$92.6 million, representing an increase in loss of HK\$86.8 million compared to the same period in 2023.

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 secured collateral, during the Reporting Period, 87.6% of the secured collateral was in the form of securities and 12.4% was in the form of real estate properties (as at 31 December 2023: 90.2% of the secured collateral was in the form of securities and 9.8% was in the form of real estate properties).

Management Discussion and Analysis

During the Reporting Period, the Group granted short-term loans with maturity of one year in the principal amount ranging from HK\$125 million to HK\$505 million to its clients having considered the concentration risks of the loan portfolio and the underlying collateral (as at 31 December 2023: short-term loans with maturity of one year in the principal amount ranging from HK\$55 million to HK\$360 million were granted); whilst long-term loans with maturity ranging from two to five years in the principal amount ranging from HK\$71 million to HK\$169 million were only granted to corporate clients under syndication arrangement (as at 31 December 2023: long-term loans with maturity ranging from two to six years in the principal amount ranging from HK\$71 million to HK\$520 million were granted).

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

	30/6/2024		31/12/2023	
	HK\$'million	%	HK\$'million	%
Fixed income securities	7,322.4	71.4	8,093.8	72.8
Bonds	6,879.1	67.1	7,604.0	68.4
Preference shares	443.3	4.3	489.8	4.4
Equity investments	70.3	0.7	97.3	0.9
Funds	2,867.5	27.9	2,927.1	26.3

Research

Our research team provides independent and objective research on macroeconomics, major global asset classes, and cross-asset and multi-perspective investment strategies. In the first half of 2024, we enhanced our research on regional economics and new quality productive forces, while continuing to focus on forward-looking and thematic research, explore emerging investment trends, and strengthen support to the Group's business. Meanwhile, we will continue to improve our research services to institutional clients with more detailed and insightful research. Going forward, we will continue to conduct differentiated and in-depth research to bolster our market competitiveness. As at 30 June 2024, the research covered stocks of 135 listed companies in nine industries with 47 subsectors (statistics adjusted based on the industry classifications of Wind) and the number of our in-depth reports increased 30% year-on-year, and our analysts' roadshows on various platforms attracted nearly 0.3 million viewers.

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	
	2024	2023
	HK\$'million	HK\$'million
Brokerage	47.7	53.2
Corporate finance and underwriting	33.7	5.1
Asset management and advisory	29.9	68.1
Margin financing	33.8	56.8
Investment and loans	38.0	216.4
Others	102.0	82.1
Total	285.1	481.7

The Group's loss for the six months ended 30 June 2024 was approximately HK\$355.3 million, compared to a loss of HK\$373.2 million for the same period in 2023.

Operating Expenses

The Group's operating expenses and finance costs for the six months ended 30 June 2024 amounted to HK\$676.4 million (2023: HK\$855.4 million), an analysis of which is set out below:

	For the six months ended 30 June			
	2024		2023	
	HK\$'million	%	HK\$'million	%
Commission and brokerage expenses	11.5	1.7	13.4	1.6
Finance costs	298.3	44.1	352.2	41.2
Staff costs	173.7	25.7	184.2	21.5
Depreciation	61.6	9.1	62.9	7.3
Other operating expenses	77.3	11.4	83.5	9.8
Change in impairment allowance	54.0	8.0	159.2	18.6
Total	676.4	100.0	855.4	100.0

Finance costs decreased by 15.3%, mainly due to a reduction in loans.

Management Discussion and Analysis

As of 30 June 2024, the Group recognised an accumulated impairment allowance of HK\$1,273.9 million (a decrease of HK\$443.9 million from the accumulated impairment allowance as at 31 December 2023). The accumulated impairment losses as of 30 June 2024 comprise primarily of impairment losses on (i) loan and advances amounting to HK\$399 million (the "Loan Impairment") and (ii) debt investments at fair value through other comprehensive income (the "debt investments") amounting to HK\$699 million (the "Debt Impairment"). The Loan Impairment and the Debt Impairment were primarily attributable to the 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 2024, Loan Impairment was made in respect of six individual and corporate clients, none of which are connected with the Group. Among such six borrowers, none of the borrowers fell within Stage 2 and five borrowers fell within Stage 3 (i.e. credit impaired) ("Stage 3 Borrowers"). As of 30 June 2024, the total outstanding principal amounts owed by Stage 3 Borrowers amounted to HK\$840 million (representing approximately 62.4% of the total amount of loans and advances granted by the Group as of 30 June 2024).

Management Discussion and Analysis

As of 30 June 2024, Debt Impairment was made in respect of 73 debt securities invested by the Group. Among such 73 debt securities, three debt securities fell within Stage 2 ("Stage 2 Debt") and 13 debt securities fell within Stage 3 ("Stage 3 Debt"). As of 30 June 2024, the total fair value of the Stage 2 Debt and Stage 3 Debt amounted to HK\$280.2 million and HK\$75.8 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 2024 increased by HK\$292.1 million to HK\$1,591.5 million (31 December 2023: HK\$1,299.4 million).

The Group's net current assets increased by HK\$323.8 million to HK\$4,382.2 million as at 30 June 2024 (31 December 2023: HK\$4,058.4 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 1.6 times as at 30 June 2024 (31 December 2023: 1.6 times).

As at 30 June 2024, the total borrowings of the Group amounted to HK\$12,958.0 million (31 December 2023: HK\$14,149.0 million), comprising of bank and other borrowings, obligation under repurchase agreements, subordinated loans and debt securities issued. Among these, the subordinated loans from the ultimate holding company amounted to HK\$1,000.0 million (31 December 2023: 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 2024, the Group's gearing ratio was 820.8% (31 December 2023: 787.5%), 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 2024, there was no charge on Group assets (31 December 2023: Nil).

Capital Commitments

As at 30 June 2024, the Group had no significant capital commitments.

Employees and Remuneration Policies

As at 30 June 2024, the Group had a total of 535 employees. Total staff costs amounted to approximately HK\$173.7 million for the six months ended 30 June 2024.

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

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 2024, the Group had no material contingent liabilities.

OUTLOOK AND STRATEGY

In the second half of 2024, the global economic outlook is expected to further improve. US economy will likely remain resilient, but sticky inflation driven by core service inflation of the US may force the Federal Reserve to maintain relatively higher interest rates for longer. The eurozone recovery may regain momentum, and the easing financial conditions have gradually restored demand. The global manufacturing cycle has picked up, and emerging markets are expected to maintain their growth momentum. The Chinese economy is expected to continue to grow under both internal and external demand. External demand remains to be optimistic as improving global manufacturing sentiments, easing global liquidity concern, and higher expectations of US interest rate cuts will support restocking demand in Europe and the US. Cyclical demand such as real estate is also expected to recover. The recovery of demand for intermediate products and capital goods in emerging markets will provide strong support for exports. Domestic demand remains to be further strengthened. It is expected that macroeconomic policies will be implemented, including the subsequent issuance of special treasury bonds and the speeding up of the issuance of local government bonds. Additionally, the strong real estate stimulus measures will demonstrate continued effect, while the proactive fiscal measures will be designed based on equipment renewal and trade-in of consumer goods, which will provide strong support to demand and supply. Furthermore, the major overseas central banks will gradually enter the interest rate cut cycle with an anticipated interest rate and reserve cut by the central bank of China. All these initiatives will help domestic demand continue to recover and improve. It is anticipated that the economy will maintain its upswing going forward.

The Company will actively seize the opportunities arising from the national policy of enhancing Hong Kong's status as an international financial centre, adhere to the principles of strengthening the foundation, making progress amidst stability, improving quality and efficiency, and closely focus on the central theme of high-quality development. With these efforts, the Company will transit towards an asset-light business model, while constantly advancing licensed business operations and rigorously managing risks. Simultaneously, we aim to establish a brand in sci-tech finance, cultivate a green financial ecosystem, achieve breakthroughs in inclusive finance, build a robust digital financial infrastructure, and explore the characteristics of pension finance. These efforts are aligned with our commitment to the "Five Subjects" of financial endeavours, enhancing our capability to deliver integrated financial services comprehensively. Leveraging the intra-group linkage, we strive to create value for our Shareholders and investors.

Corporate Governance and Other Information

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

As at 30 June 2024, 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 C3 to the Listing Rules were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY

Name of Director	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
XIE Jie	Beneficial owner	A shares	180,000	0.00	0.00
WANG Xianjia	Beneficial owner	A shares	110,000	0.00	0.00
SHAN Zengjian	Beneficial owner	A shares	180,000	0.00	0.00
ZHU Chen	Beneficial owner	A shares	190,000	0.00	0.00
WANG Yongqing	Beneficial owner	A shares	180,000	0.00	0.00

Save as disclosed above, as at 30 June 2024, 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 2024, 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 2024, 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 2024, the Company was 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 (including sale of treasury shares, if any) during the six months ended 30 June 2024.

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 2023 annual report. During the six months ended 30 June 2024, 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 C3 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 2024 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:

Ms. ZHU Chen has ceased to be a director and vice chairman of the Chinese Securities Association of Hong Kong since May 2024.

Mr. TSE Yung Hoi has ceased to be an independent non-executive director of Huatai Securities Co., Ltd. (stock code: 6886) since June 2024.

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.

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 2024.

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 2024 (2023 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 21 to 65 which comprises the condensed consolidated statement of financial position of BOCOM International Holdings Company Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2024 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 2024 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

26 August 2024

Condensed Consolidated Income Statement

	Notes	Six months ended	
		30/6/2024 (Unaudited) HK\$'000	30/6/2023 (Unaudited) HK\$'000
Revenue			
Commission and fee income	6	96,019	75,132
Interest income	6	162,669	275,298
Proprietary trading income	6	(82,593)	39,979
		176,095	390,409
Other income	6	109,053	91,256
Revenue and other income		285,148	481,665
Commission and brokerage expenses		(11,500)	(13,405)
Finance costs	8	(298,259)	(352,165)
Staff costs	8	(173,673)	(184,210)
Depreciation	8	(61,631)	(62,917)
Other operating expenses		(77,319)	(83,484)
Change in impairment allowance	7	(53,993)	(159,241)
Total expenses		(676,375)	(855,422)
Operating loss		(391,227)	(373,757)
Share of results of associates	13	168	(2,678)
Share of results of joint ventures		32,535	7,771
Loss before taxation	8	(358,524)	(368,664)
Income tax expense	9	3,236	(4,561)
Loss for the period attributable to shareholders of the Company		(355,288)	(373,225)
Loss per share attributable to shareholders of the Company for the period — Basic/Diluted (in HKD per share)	11	(0.13)	(0.14)

Condensed Consolidated Statement of Comprehensive Income

	Six months ended	
	30/6/2024 (Unaudited) HK\$'000	30/6/2023 (Unaudited) HK\$'000
Loss for the period	(355,288)	(373,225)
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	181,599	56,531
Amounts reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income	38,228	9,439
	219,827	65,970
Exchange differences on translation of foreign operations	(77,731)	(96,455)
	142,096	(30,485)
<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	(4,751)	14,639
Other comprehensive income, net of tax	137,345	(15,846)
Total comprehensive income attributable to shareholders of the Company	(217,943)	(389,071)

Condensed Consolidated Statement of Financial Position

	Notes	30/6/2024 (Unaudited) HK\$'000	31/12/2023 (Audited) HK\$'000
Assets			
Non-current Assets			
Property and equipment		70,788	77,857
Right-of-use assets		104,190	144,665
Intangible assets		13,038	13,087
Interest in associates	13	164,422	173,073
Interest in joint ventures		755,744	641,160
Other assets		28,532	22,015
Financial assets at fair value through other comprehensive income	12	4,473,042	5,446,414
Loans and advances	14	50,101	581,270
Deferred tax assets		–	1,005
Total non-current assets		5,659,857	7,100,546
Current Assets			
Loans and advances	14	895,994	459,173
Tax recoverable		213	2,777
Accounts receivable	15	818,560	475,934
Other receivables and prepayments	16	711,006	454,951
Margin loans to customers	17	825,991	1,206,442
Amount due from the ultimate holding company		68,725	78,874
Amount due from a fellow subsidiary		–	2
Amounts due from related parties		214	185
Financial assets at fair value through other comprehensive income	12	1,488,251	1,341,355
Financial assets at fair value through profit or loss	12	5,101,955	5,791,191
Derivative financial assets	12	146	178
Cash and bank balances	18	1,591,548	1,299,438
Total current assets		11,502,603	11,110,500
Total assets		17,162,460	18,211,046
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	22	3,942,216	3,942,216
Accumulated losses		(1,681,762)	(1,339,017)
Revaluation reserve		(416,475)	(619,008)
Foreign currency translation reserve		(265,282)	(187,551)
Total equity		1,578,697	1,796,640

Condensed Consolidated Statement of Financial Position (Continued)

	Notes	30/6/2024 (Unaudited) HK\$'000	31/12/2023 (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	3,115,594	3,864,288
Lease liabilities		47,325	75,170
Financial liabilities at fair value through profit or loss	12	404,726	519,000
Deferred tax liabilities		6,021	12,623
Debt securities issued	20	3,889,649	3,891,207
Total non-current liabilities		8,463,315	9,362,288
Current Liabilities			
Borrowings	19	4,015,767	4,481,264
Obligation under repurchase agreements	19	936,957	912,197
Tax payable		948	7,682
Provision for staff costs		113,748	118,447
Other payables and accrued expenses		392,383	312,319
Accounts payable	21	691,286	315,892
Contract liabilities		29,420	28,400
Lease liabilities		61,911	69,995
Amount due to a fellow subsidiary		1	–
Financial liabilities at fair value through profit or loss	12	871,806	799,518
Derivative financial liabilities	12	6,221	6,404
Total current liabilities		7,120,448	7,052,118
Total liabilities		15,583,763	16,414,406
Total equity and liabilities		17,162,460	18,211,046
Net current assets		4,382,155	4,058,382
Total assets less current liabilities		10,042,012	11,158,928

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company				Total equity HK\$'000
	Share capital HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	
At 1 January 2024	<u>3,942,216</u>	<u>(1,339,017)</u>	<u>(619,008)</u>	<u>(187,551)</u>	<u>1,796,640</u>
Loss for the period	–	(355,288)	–	–	(355,288)
Other comprehensive income for the period	–	12,543*	202,533	(77,731)	137,345
Total comprehensive income for the period	–	(342,745)	202,533	(77,731)	(217,943)
At 30 June 2024 (Unaudited)	<u>3,942,216</u>	<u>(1,681,762)</u>	<u>(416,475)</u>	<u>(265,282)</u>	<u>1,578,697</u>
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>
Loss for the period	–	(373,225)	–	–	(373,225)
Other comprehensive income for the period	–	–	80,609	(96,455)	(15,846)
Total comprehensive income for the period	–	(373,225)	80,609	(96,455)	(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>

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

Condensed Consolidated Statement of Cash Flows

	Six months ended	
	30/6/2024 (Unaudited) HK\$'000	30/6/2023 (Unaudited) HK\$'000
Operating activities		
Loss before taxation	(358,524)	(368,664)
Adjustments for:		
Dividend income	(30,262)	(45,019)
Interest income from loans or clients	(58,266)	(113,907)
Interest income from financial assets at fair value through other comprehensive income	(104,403)	(161,391)
Bank and other interest income	(45,843)	(49,961)
Loss on disposal of property and equipment	6	–
Finance costs	298,259	352,165
Depreciation	61,631	62,917
Change in impairment allowance	59,800	159,241
Unrealised loss/(gain) on financial assets and liabilities at fair value through profit or loss	51,247	(172,000)
Unrealised (gain)/loss on derivative financial assets and liabilities	(10,308)	18
Realised loss on debt investments at fair value through other comprehensive income	38,228	9,439
Foreign exchange gain	(38,968)	(5,269)
Share of results of associates	(168)	2,678
Share of results of joint ventures	(32,535)	(7,771)
Operating cash flows before movements in working capital	(170,106)	(337,524)
Increase in other assets	(6,517)	(6,628)
Decrease/(increase) in financial assets at fair value through profit or loss	626,961	(12,514)
Decrease in financial liabilities at fair value through profit or loss	(42,227)	(404,117)
Decrease in derivative financial assets	32	–
Increase/(decrease) in derivative financial liabilities	10,125	(8)
Increase in accounts receivable	(346,354)	(103,820)
Decrease/(increase) in margin loans to customers	362,440	(52,973)
Decrease in loans and advances	87,359	454,818
Decrease in amount due from the ultimate holding company	10,149	60,967
Increase in amounts due from related parties	(29)	(39)
Decrease in amount due from a fellow subsidiary	2	17
(Increase)/decrease in other receivables and prepayments	(334,931)	158,473
Increase/(decrease) in accounts payable	375,394	(378,036)
Increase in amount due to a fellow subsidiary	1	–
Decrease in provision for staff costs	(4,698)	(35,257)
Increase in other payables and accrued expenses	76,858	242,944
Increase in contract liabilities	1,020	38,086
Net cash generated from/(used in) operations	645,479	(375,611)

Condensed Consolidated Statement of Cash Flows (Continued)

	Six months ended	
	30/6/2024 (Unaudited) HK\$'000	30/6/2023 (Unaudited) HK\$'000
Income tax paid	(6,548)	(7,669)
Interest received from loans or clients	61,679	104,080
Bank and other interest income received	47,256	50,149
Interest expenses paid	(258,177)	(296,783)
Net cash generated from/(used in) operating activities	489,689	(525,834)
Investing activities		
Dividend received	30,262	45,019
Bond interest income received	191,646	194,512
Purchase of property and equipment	(10,247)	(17,246)
Proceeds on disposal of property and equipment	10	–
Purchase of intangible assets	(978)	(6,485)
Distribution from associates	5,797	468
Capital injection to joint ventures	(99,955)	–
Capital reduction of joint ventures	–	14,468
Distribution from joint ventures	2,105	1,447
Purchase of financial assets at fair value through other comprehensive income	(438)	–
Proceeds on disposal of financial assets at fair value through other comprehensive income	960,522	872,430
Decrease in restricted cash	–	2,990
Net cash generated from investing activities	1,078,724	1,107,603
Financing activities		
Net repayment of bank loans and other borrowings	(1,137,028)	(652,068)
Cash payments for interest on debt securities issued	(34,103)	(34,199)
Capital element of lease rentals paid	(40,266)	(33,844)
Interest element of lease rentals paid	(1,179)	(1,426)
Net cash used in financing activities	(1,212,576)	(721,537)
Net increase/(decrease) in cash and cash equivalents	355,837	(139,768)
Cash and cash equivalents at 1 January	1,297,719	1,785,873
Effect of exchange rate changes on cash and cash equivalents	(63,727)	(106,625)
Cash and cash equivalents at 30 June	1,589,829	1,539,480

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.

2. BASIS OF PREPARATION

This interim financial statements has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

Notes to the Condensed Consolidated Financial Statements (Continued)

2. BASIS OF PREPARATION (CONTINUED)

The financial information relating to the financial year ended 31 December 2023, that is included in the interim financial report 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 2023 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).

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to interim financial report for the current accounting period.

- Amendments to HKFRS 16, *Leases: Lease Liability in a Sale and Leaseback*
- Amendments to HKAS 1, *Presentation of financial statements: Classification of Liabilities as Current or Non-current ("2020 Amendments")*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current Liabilities with Covenants ("2022 Amendments")*
- Amendments to HKAS 7, *Statement of Cash Flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier Finance Arrangements*

Amendments to HKFRSs effective for the financial year ending 31 December 2024 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of interim financial report in conformity with HKAS 34 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 on a year to date basis. Actual results may differ from these estimates.

In preparing this interim financial report, 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 2023, 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.

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; and
- (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 2024 (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	42,331	33,717	19,971	-	-	-	-	96,019
— Internal	63	-	16,200	-	-	-	(16,263)	-
Interest income								
— External	-	-	-	33,766	128,903	-	-	162,669
— Internal	-	-	-	-	17,507	-	(17,507)	-
Proprietary trading income								
— External	-	-	10,000	-	(92,593)	-	-	(82,593)
— Internal	-	-	-	-	-	-	-	-
Other income	5,403	-	-	-	1,678	101,972	-	109,053
	<u>47,797</u>	<u>33,717</u>	<u>46,171</u>	<u>33,766</u>	<u>55,495</u>	<u>101,972</u>	<u>(33,770)</u>	<u>285,148</u>
Total expenses	(77,450)	(44,595)	(51,820)	(62,545)	(426,173)	(47,562)	33,770	(676,375)
Share of results of associates	-	-	-	-	168	-	-	168
Share of results of joint ventures	-	-	-	-	32,535	-	-	32,535
(Loss)/profit before taxation	<u>(29,653)</u>	<u>(10,878)</u>	<u>(5,649)</u>	<u>(28,779)</u>	<u>(337,975)</u>	<u>54,410</u>	<u>-</u>	<u>(358,524)</u>
Other disclosures								
Depreciation	(12,922)	(2,181)	(8,563)	(4,826)	(11,144)	(21,995)	-	(61,631)
Change in impairment allowance	-	(3,729)	-	(18,011)	(32,253)	-	-	(53,993)
Finance costs	(286)	(98)	(152)	(29,936)	(284,980)	(314)	17,507	(298,259)

Notes to the Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION (CONTINUED)

	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)

	Six months ended	
	30/6/2024 HK\$'000 (Unaudited)	30/6/2023 HK\$'000 (Unaudited)
Total revenue from external customers by location of operations		
— Hong Kong	261,375	385,542
— Mainland China	23,773	96,123
	<u>285,148</u>	<u>481,665</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

6. REVENUE AND OTHER INCOME

(a) Disaggregation of revenue and other income

	Six months ended	
	30/6/2024 HK\$'000 (Unaudited)	30/6/2023 HK\$'000 (Unaudited)
REVENUE		
COMMISSION AND FEE INCOME		
<i>Revenue from contracts with customers within the scope of HKFRS 15</i>		
Brokerage commission	42,331	47,857
Corporate finance and underwriting fee	33,717	5,104
Asset management and advisory fee	19,971	22,171
	<u>96,019</u>	<u>75,132</u>
INTEREST INCOME		
<i>Interest income calculated using the effective interest method</i>		
Interest income from margin financing	33,766	56,827
Interest income from loans and advances	24,500	57,080
Interest income from financial assets at fair value through other comprehensive income	104,403	161,391
	<u>162,669</u>	<u>275,298</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	11,269	22,191
<i>Revenue from other sources</i>		
Net trading and investment income		
— Net (loss)/gain on financial assets at fair value through profit or loss	(93,647)	138,335
— Net (loss)/gain on financial assets at fair value through other comprehensive income	(42,194)	31,043
— Net loss on financial liabilities at fair value through profit or loss	(28,583)	(40,322)
— Net gain/(loss) on derivative financial instruments	11,958	(73,290)
— Fair value changes from financial liabilities to the investors of the funds consolidated	28,342	(82,997)
Dividend income from		
— Financial assets at fair value through profit or loss	30,262	45,019
	<u>(82,593)</u>	<u>39,979</u>
	<u>176,095</u>	<u>390,409</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 2024 and 30 June 2023, there was no gain or loss arising from the derecognition of financial assets at amortised cost.

	Six months ended	
	30/6/2024 HK\$'000 (Unaudited)	30/6/2023 HK\$'000 (Unaudited)
OTHER INCOME		
Handling fees	4,529	5,141
Other interest income	45,843	49,961
Exchange gain	38,968	5,269
Computer software development and maintenance services	13,247	22,880
Information system consultancy services	–	45
Others	6,466	7,960
	109,053	91,256

(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\$29,420 thousand (31 December 2023: HK\$28,400 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	
	30/6/2024 HK\$'000 (Unaudited)	30/6/2023 HK\$'000 (Unaudited)
Change in impairment allowance on:		
Accounts receivable	3,729	12
Margin loans to customers	18,011	1,481
Loans and advances	6,989	15,666
Debt investments at fair value through other comprehensive income	32,995	127,323
Other receivables	(1,924)	14,759
	59,800	159,241
Bad debts recovery	(5,807)	–
	53,993	159,241

Notes to the Condensed Consolidated Financial Statements (Continued)

8. LOSS BEFORE TAXATION

	Six months ended	
	30/6/2024 HK\$'000 (Unaudited)	30/6/2023 HK\$'000 (Unaudited)
Loss before taxation has been arrived at after charging:		
Finance costs:		
— Interest expenses on subordinated loans from the ultimate holding company	29,904	25,027
— Interest expenses on bank loans from the ultimate holding company	13,633	26,444
— Interest expenses on bank loans and overdraft from other financial institutions	87,866	143,396
— Interest expenses on obligation under repurchase agreements	130,087	120,162
— Interest expenses on lease liabilities	1,179	1,426
— Interest expenses on financial liabilities	—	27
— Interest expenses on debt securities issued:		
— payable to the ultimate holding company	686	689
— payable to the fellow subsidiaries	2,267	2,269
— payable to other financial institutions	32,619	32,699
— Others	18	21
	<u>298,259</u>	<u>352,160</u>
— Other borrowing costs to other financial institutions	—	5
	<u>298,259</u>	<u>352,165</u>
Depreciation	61,631	62,917
Operating lease charges	1,972	1,738
Staff costs	<u>173,673</u>	<u>184,210</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

9. INCOME TAX EXPENSE

	Six months ended	
	30/6/2024 HK\$'000 (Unaudited)	30/6/2023 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	743	–
PRC Enterprise Income Tax	12	26
Under provision in prior periods	1,565	3,298
Total current tax	2,320	3,324
Deferred tax	(5,556)	1,237
Income tax expense recognised in profit or loss	(3,236)	4,561

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%.

10. DIVIDENDS

Dividends approved during the interim period

	Six months ended	
	30/6/2024 HK\$'000 (Unaudited)	30/6/2023 HK\$'000 (Unaudited)
No dividend was declared and approved for previous financial year	–	–

Dividends attributable to the interim period

No dividend was paid or declared by the Company for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

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 reporting period.

	Six months ended	
	30/6/2024 (Unaudited)	30/6/2023 (Unaudited)
Loss attributable to shareholders of the Company (in HK\$'000)	(355,288)	(373,225)
Weighted average number of ordinary shares in issue (in '000 shares)	<u>2,734,392</u>	<u>2,734,392</u>
Loss per share (in HKD per share)	<u>(0.13)</u>	<u>(0.14)</u>

There were no potential diluted ordinary shares. The diluted loss per share was the same as the basic loss per share.

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 2024 (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 security	170	–	–	170
Mandatorily measured at fair value through other comprehensive income				
Debt investments	–	5,961,123	–	5,961,123
	<u>170</u>	<u>5,961,123</u>	<u>–</u>	<u>5,961,293</u>
Analysed for reporting purposes:				
Non-current				4,473,042
Current				<u>1,488,251</u>
				<u>5,961,293</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

	At 31 December 2023 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Designated at fair value through other comprehensive income upon initial recognition				
Equity securities	27,100	–	–	27,100
Mandatorily measured at fair value through other comprehensive income				
Debt investments	–	6,760,669	–	6,760,669
	<u>27,100</u>	<u>6,760,669</u>	<u>–</u>	<u>6,787,769</u>
Analysed for reporting purposes:				
Non-current				5,446,414
Current				<u>1,341,355</u>
				<u>6,787,769</u>

Financial assets at fair value through profit or loss

	At 30 June 2024 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity securities	133,767	758,581	–	892,348
Debt investments	3,405	396,615	–	400,020
Preference shares	–	–	443,250	443,250
Club debenture	–	–	1,871	1,871
Unlisted funds	–	–	2,182,424	2,182,424
Structured financial products	–	38,995	–	38,995
Unlisted equities	–	–	1,143,047	1,143,047
	<u>137,172</u>	<u>1,194,191</u>	<u>3,770,592</u>	<u>5,101,955</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 2023 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity securities	359,347	786,120	–	1,145,467
Debt investments	3,538	396,810	–	400,348
Preference shares	–	–	489,845	489,845
Club debenture	–	–	1,926	1,926
Unlisted funds	–	–	2,215,708	2,215,708
Structured financial products	–	236,494	–	236,494
Unlisted equities	–	–	1,301,403	1,301,403
	<u>362,885</u>	<u>1,419,424</u>	<u>4,008,882</u>	<u>5,791,191</u>

Derivative financial assets

	At 30 June 2024 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts	126	–	–	126
Others	–	20	–	20
	<u>126</u>	<u>20</u>	<u>–</u>	<u>146</u>

	At 31 December 2023 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Currency swaps	–	158	–	158
Others	–	20	–	20
	<u>–</u>	<u>178</u>	<u>–</u>	<u>178</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 2024 (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	(34,703)	–	(404,726)	(439,429)
Notes payable	–	(837,103)	–	(837,103)
	<u>(34,703)</u>	<u>(837,103)</u>	<u>(404,726)</u>	<u>(1,276,532)</u>
Analysed for reporting purposes:				
Non-current				(404,726)
Current				<u>(871,806)</u>
				<u>(1,276,532)</u>

	At 31 December 2023 (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	(35,480)	–	(519,000)	(554,480)
Notes payable	–	(764,038)	–	(764,038)
	<u>(35,480)</u>	<u>(764,038)</u>	<u>(519,000)</u>	<u>(1,318,518)</u>
Analysed for reporting purposes:				
Non-current				(519,000)
Current				<u>(799,518)</u>
				<u>(1,318,518)</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Derivative financial liabilities

	At 30 June 2024 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Total return swaps	–	(1,523)	–	(1,523)
Others	–	–	(4,698)	(4,698)
	<u>–</u>	<u>(1,523)</u>	<u>(4,698)</u>	<u>(6,221)</u>

	At 31 December 2023 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Total return swaps	–	(2,023)	–	(2,023)
Others	–	–	(4,381)	(4,381)
	<u>–</u>	<u>(2,023)</u>	<u>(4,381)</u>	<u>(6,404)</u>

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

13. INTEREST IN ASSOCIATES

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Unlisted investment at the beginning of the period/year	<u>158,956</u>	<u>158,956</u>
Profit after acquisition		
— As at 1 January	20,148	21,856
— Share of profit for the period/year	168	407
Distribution for the period/year	(5,797)	(2,115)
Accumulated exchange difference arising from translation of foreign operations	<u>(9,053)</u>	<u>(6,031)</u>
	<u>164,422</u>	<u>173,073</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

14. LOANS AND ADVANCES

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Gross loans and advances	1,344,776	1,504,413
Less: impairment allowance	(398,681)	(463,970)
	946,095	1,040,443
Net loans and advances:		
Non-current	50,101	581,270
Current	895,994	459,173
	946,095	1,040,443

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

15. ACCOUNTS RECEIVABLE

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Corporate finance and underwriting business	13,477	17,690
Dealing in securities and futures business		
— Clients	590,903	83,001
— Brokers	76,582	162,868
— Clearing house	145,403	217,767
	812,888	463,636
Less: impairment allowance	(7,805)	(5,392)
	818,560	475,934

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:

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Current (not past due)	814,211	467,894
Less than 31 days past due	6	781
31–60 days past due	–	–
61–90 days past due	12	581
Over 90 days past due	12,136	12,070
	12,154	13,432
Less: impairment allowance	(7,805)	(5,392)
	818,560	475,934

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

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Other receivables	699,874	511,084
Less: impairment allowance	(31,236)	(69,607)
	668,638	441,477
Prepayments	42,368	13,474
	711,006	454,951

17. MARGIN LOANS TO CUSTOMERS

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Gross margin loans to customers	963,178	1,325,618
Less: impairment allowance	(137,187)	(119,176)
Net margin loans to customers	825,991	1,206,442

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

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Cash at bank and in hand	1,589,829	1,297,719
Time deposits with original maturity of more than three months	1,719	1,719
	<u>1,591,548</u>	<u>1,299,438</u>

As at 30 June 2024, bank balances held at the ultimate holding company and a fellow subsidiary were HK\$1,204,587 thousand (31 December 2023: HK\$1,135,188 thousand) and HK\$1,040 thousand (31 December 2023: HK\$1,975 thousand) respectively.

19. BORROWINGS

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Bank loans and other borrowings		
Current — ultimate holding company (Note 23)	967,421	919,464
Current — authorised institutions	3,048,346	3,561,800
	<u>4,015,767</u>	<u>4,481,264</u>
Obligation under repurchase agreements		
Non-current	3,115,594	3,864,288
Current	936,957	912,197
	<u>4,052,551</u>	<u>4,776,485</u>
Subordinated loans (Note 23)		
Non-current	1,000,000	1,000,000
Total	<u>9,068,318</u>	<u>10,257,749</u>

As at 30 June 2024, the carrying amount included within financial assets sold under repurchase agreements was HK\$4,912,647 thousand (31 December 2023: HK\$5,757,364 thousand).

Notes to the Condensed Consolidated Financial Statements (Continued)

19. BORROWINGS (continued)

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

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Bank loans and other borrowings		
Within 1 year	4,952,724	5,393,461
Between 1 and 2 years	1,755,042	1,582,602
Between 2 and 5 years	796,665	1,682,736
Over 5 years	563,887	598,950
	8,068,318	9,257,749
Undated	1,000,000	1,000,000
	9,068,318	10,257,749

As at 30 June 2024 and 31 December 2023, all bank borrowings were unsecured. Bank borrowings at 30 June 2024 were charged at floating interest rate ranging from base point plus 0.4% to 1% per annum (31 December 2023: base point plus 0.5% to 0.8% per annum).

20. DEBT SECURITIES ISSUED

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Debt securities issued	3,889,649	3,891,207

The outstanding balance of HK\$3,889,649 thousand (31 December 2023: HK\$3,891,207 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 2024, the debt securities issued bore fixed interest rate of 1.75% per annum (31 December 2023: 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 2023: 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:

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Clients — trade settlement	244,762	315,505
Clearing house	194,835	387
Brokers	251,689	—
	<u>691,286</u>	<u>315,892</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 30/6/2024 Thousand Shares (Unaudited)	Year ended 31/12/2023 Thousand Shares (Audited)	Six months ended 30/6/2024 HK\$'000 (Unaudited)	Year ended 31/12/2023 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 reporting period, in addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material transactions with related parties:

(a) Ultimate holding company

	Six months ended	
	30/6/2024	30/6/2023
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Transaction		
Interest income from deposits	6,556	8,359
Finance costs	44,223	52,160
Computer software development and maintenance service income	8,681	16,376
Commission expenses	2,281	203
Asset management and advisory fee	1,177	1,593
Fund management fee income	–	4,717
Underwriting fee income	–	16
Rental expenses	1,910	2,145
Other operating expenses	884	488
	30/6/2024	31/12/2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Balance of transaction		
Right-of-use assets	5,292	7,663
Amount due from the ultimate holding company	68,725	78,874
Other receivables	614	632
Borrowings	967,421	919,464
Subordinated loans	1,000,000	1,000,000

Notes to the Condensed Consolidated Financial Statements (Continued)

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Fellow subsidiaries, associates and joint ventures

	Six months ended	
	30/6/2024 HK\$'000 (Unaudited)	30/6/2023 HK\$'000 (Unaudited)
Transaction		
Interest income from deposits	42	46
Finance costs	2,267	2,269
Commission income	2,282	2,713
Commission expenses	388	667
Asset management and advisory fee	8,152	8,141
Underwriting fee income	59	–
Rental expenses	13,316	14,192
Other operating expenses	615	1,633
	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Balance of transaction		
Right-of-use assets	43,094	57,550
Accounts receivable	152,788	–
Other receivables	11,893	8,884
Accounts payable	–	134,178
Amount due from a fellow subsidiary	–	2
Amount due to a fellow subsidiary	1	–

Notes to the Condensed Consolidated Financial Statements (Continued)

23. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related parties

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Balance of transaction		
Gross amounts due from related parties	214	185
Less: impairment allowance	—	—
	<u>214</u>	<u>185</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:

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
No later than 1 year	<u>—</u>	<u>127</u>

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.

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Unfunded commitments	<u>385,597</u>	<u>327,545</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

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/(to) the ultimate holding company, a fellow subsidiary and related parties, cash and bank balances, accounts and other payables, 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 interim financial statements do not include all financial risk management information and disclosures related to the interim financial statements, and should be read in conjunction with disclosure in the consolidated financial statements for the year ended 31 December 2023.

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 2024	1,091,551	54,532	179,535	1,325,618
Increases	64,581	—	496	65,077
Decreases	(416,824)	(8,916)	(1,777)	(427,517)
Transfers between stages				
— Increase	44,146	135	—	44,281
— Decrease	(135)	(44,146)	—	(44,281)
As at 30 June 2024	<u>783,319</u>	<u>1,605</u>	<u>178,254</u>	<u>963,178</u>
Gross carrying amount as at 1 January 2023	1,435,077	83,100	178,604	1,696,781
Increases	104,924	2,025	931	107,880
Decreases	(455,779)	(23,264)	—	(479,043)
Transfers between stages				
— Increase	15,699	8,370	—	24,069
— Decrease	(8,370)	(15,699)	—	(24,069)
As at 31 December 2023	<u>1,091,551</u>	<u>54,532</u>	<u>179,535</u>	<u>1,325,618</u>
(b) Other receivables, amounts due from the ultimate holding company, a fellow subsidiary and related parties				
Gross carrying amount as at 1 January 2024	520,668	—	69,477	590,145
Increases	284,936	2,024	476	287,436
Decreases	(66,986)	(2,985)	(2,350)	(72,321)
Write-off	—	—	(36,447)	(36,447)
Transfers between stages				
— Increase	—	6,870	—	6,870
— Decrease	(6,870)	—	—	(6,870)
As at 30 June 2024	<u>731,748</u>	<u>5,909</u>	<u>31,156</u>	<u>768,813</u>
Gross carrying amount as at 1 January 2023	956,454	13,424	80,357	1,050,235
Increases	64,803	514	8,682	73,999
Decreases	(494,319)	(8,837)	(9,709)	(512,865)
Write-off	—	—	(21,025)	(21,025)
Derecognise	—	—	(199)	(199)
Transfers between stages				
— Increase	—	4,586	11,371	15,957
— Decrease	(6,270)	(9,687)	—	(15,957)
As at 31 December 2023	<u>520,668</u>	<u>—</u>	<u>69,477</u>	<u>590,145</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) Financial assets at FVOCI — debt investments				
Gross carrying amount as at 1 January 2024	6,664,002	—	96,667	6,760,669
Increases	104,698	26,320	3,661	134,679
Decreases	(909,685)	—	(22,611)	(932,296)
Write-off	—	—	(1,929)	(1,929)
Transfers between stages				
— Increase	—	253,910	—	253,910
— Decrease	(253,910)	—	—	(253,910)
As at 30 June 2024	<u>5,605,105</u>	<u>280,230</u>	<u>75,788</u>	<u>5,961,123</u>
Gross carrying amount as at 1 January 2023	8,368,339	295,138	429,560	9,093,037
Increases	269,949	—	1,033	270,982
Decreases	(1,857,345)	(200,224)	(529,548)	(2,587,117)
Write-off	—	—	(16,233)	(16,233)
Transfers between stages				
— Increase	—	116,941	211,855	328,796
— Decrease	(116,941)	(211,855)	—	(328,796)
As at 31 December 2023	<u>6,664,002</u>	<u>—</u>	<u>96,667</u>	<u>6,760,669</u>
(d) Loans and advances				
Gross carrying amount as at 1 January 2024	574,507	—	929,906	1,504,413
Increases	—	—	4,952	4,952
Decreases	(69,534)	—	(16,965)	(86,499)
Derecognise	—	—	(78,090)	(78,090)
Transfers between stages				
— Increase	—	—	—	—
— Decrease	—	—	—	—
As at 30 June 2024	<u>504,973</u>	<u>—</u>	<u>839,803</u>	<u>1,344,776</u>
Gross carrying amount as at 1 January 2023	1,332,795	—	1,084,696	2,417,491
Increases	91	—	9,992	10,083
Decreases	(242,522)	—	(547,580)	(790,102)
Write-off	—	—	(133,059)	(133,059)
Transfers between stages				
— Increase	—	—	515,857	515,857
— Decrease	(515,857)	—	—	(515,857)
As at 31 December 2023	<u>574,507</u>	<u>—</u>	<u>929,906</u>	<u>1,504,413</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK EXPOSURE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Stage of assets			Lifetime ECL (simplified approach) HK\$'000	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) Accounts receivable					
Gross carrying amount as at 1 January 2024	–	–	–	481,326	481,326
Increases	–	–	–	351,983	351,983
Reverses	–	–	–	(6,944)	(6,944)
As at 30 June 2024	<u>–</u>	<u>–</u>	<u>–</u>	<u>826,365</u>	<u>826,365</u>
Gross carrying amount as at 1 January 2023	–	–	–	456,081	456,081
Increases	–	–	–	37,689	37,689
Reverses	–	–	–	(12,444)	(12,444)
As at 31 December 2023	<u>–</u>	<u>–</u>	<u>–</u>	<u>481,326</u>	<u>481,326</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK EXPOSURE OF FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 June 2024 and 31 December 2023, 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 2024	570	50	118,556	119,176
Increases	52	2	18,429	18,483
Reverses	(468)	(4)	–	(472)
Transfers between stages				
— Increase	47	–	–	47
— Decrease	–	(47)	–	(47)
As at 30 June 2024	<u>201</u>	<u>1</u>	<u>136,985</u>	<u>137,187</u>
As at 1 January 2023	550	98	112,533	113,181
Increases	123	1	6,023	6,147
Reverses	(102)	(50)	–	(152)
Transfers between stages				
— Increase	2	3	–	5
— Decrease	(3)	(2)	–	(5)
As at 31 December 2023	<u>570</u>	<u>50</u>	<u>118,556</u>	<u>119,176</u>
(b) Other receivables, amounts due from the ultimate holding company, a fellow subsidiary and related parties				
As at 1 January 2024	132	1	69,474	69,607
Increases	5	20	476	501
Reverses	(76)	–	(2,349)	(2,425)
Write-off	–	–	(36,447)	(36,447)
Transfers between stages				
— Increase	–	7	–	7
— Decrease	(7)	–	–	(7)
As at 30 June 2024	<u>54</u>	<u>28</u>	<u>31,154</u>	<u>31,236</u>
As at 1 January 2023	262	97	80,356	80,715
Increases	20	67	17,618	17,705
Reverses	(144)	(64)	(1,193)	(1,401)
Derecognise	–	–	(6,386)	(6,386)
Write-off	–	–	(21,026)	(21,026)
Transfers between stages				
— Increase	–	6	105	111
— Decrease	(6)	(105)	–	(111)
As at 31 December 2023	<u>132</u>	<u>1</u>	<u>69,474</u>	<u>69,607</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 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL (credit- impaired) HK\$'000	
(c) Financial assets at FVOCI — debt investments				
As at 1 January 2024	9,321	—	1,050,292	1,059,613
Increases	176	2,446	32,847	35,469
Reverses	(2,824)	—	(5,457)	(8,281)
Derecognise	—	—	(271,423)	(271,423)
Write-off	—	—	(122,164)	(122,164)
Bad debts recovery	—	—	5,807	5,807
Transfers between stages				
— Increase	—	762	—	762
— Decrease	(762)	—	—	(762)
As at 30 June 2024	<u>5,911</u>	<u>3,208</u>	<u>689,902</u>	<u>699,021</u>
As at 1 January 2023	14,868	10,510	835,191	860,569
Increases	237	6,881	602,177	609,295
Reverses	(5,072)	(4,253)	(1,972)	(11,297)
Derecognise	—	—	(111,416)	(111,416)
Write-off	—	—	(287,538)	(287,538)
Transfers between stages				
— Increase	—	712	13,850	14,562
— Decrease	(712)	(13,850)	—	(14,562)
As at 31 December 2023	<u>9,321</u>	<u>—</u>	<u>1,050,292</u>	<u>1,059,613</u>
(d) Loans and advances				
As at 1 January 2024	324	—	463,646	463,970
Increases	—	—	18,698	18,698
Reverses	(156)	—	(11,553)	(11,709)
Derecognise	—	—	(72,278)	(72,278)
Transfers between stages				
— Increase	—	—	—	—
— Decrease	—	—	—	—
As at 30 June 2024	<u>168</u>	<u>—</u>	<u>398,513</u>	<u>398,681</u>
As at 1 January 2023	659	—	584,922	585,581
Increases	—	—	23,765	23,765
Reverses	(216)	—	(18,240)	(18,456)
Write-off	—	—	(133,059)	(133,059)
Bad debts recovery	—	—	6,139	6,139
Transfers between stages				
— Increase	—	—	119	119
— Decrease	(119)	—	—	(119)
As at 31 December 2023	<u>324</u>	<u>—</u>	<u>463,646</u>	<u>463,970</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. FINANCIAL RISK MANAGEMENT (CONTINUED)

CREDIT RISK EXPOSURE OF FINANCIAL INSTRUMENTS (CONTINUED)

	Stage of assets			Lifetime ECL (simplified approach) HK\$'000	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) Accounts receivable					
As at 1 January 2024	–	–	–	5,392	5,392
Increases	–	–	–	3,730	3,730
Reverses	–	–	–	(1)	(1)
Write-off	–	–	–	(1,316)	(1,316)
As at 30 June 2024	<u>–</u>	<u>–</u>	<u>–</u>	<u>7,805</u>	<u>7,805</u>
As at 1 January 2023	–	–	–	5,390	5,390
Increases	–	–	–	3	3
Reverses	–	–	–	(1)	(1)
As at 31 December 2023	<u>–</u>	<u>–</u>	<u>–</u>	<u>5,392</u>	<u>5,392</u>

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 2024 and 31 December 2023, 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:

	30/6/2024		31/12/2023	
	Optimistic +10% HK\$'000	Pessimistic +10% HK\$'000	Optimistic +10% HK\$'000	Pessimistic +10% HK\$'000
Loans and advances	5	(102)	18	(135)
Debt investments	365	(4,056)	514	(3,546)
Margin loans to customers	–	–	21	(14)

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 2024.

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 2024	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
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
	Market approach	Volatility	48.04%-64.88%	(v)
	Market approach	Sales multiples	1.5x-16.31x	(iii)
Unlisted funds	Market approach	Sales multiples	1.3x	(iii)
	Allocated net asset value	Net asset value	N/A	(iv)
	Recent transaction price	(i)	N/A	N/A
	Market approach	Volatility	42.3%-52.3%	(v)
Preference shares	Recent transaction price	(i)	N/A	N/A
	Market approach	Sales multiples	1.3x-14.3x	(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 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
	Market approach	Volatility	45.52%-64.84%	(v)
	Market approach	Sales multiples	1.7x-14.6x	(iii)
Unlisted funds	Market approach	Sales multiples	1.7x-5.1x	(iii)
	Allocated net asset value	Net asset value	N/A	(iv)
	Recent transaction price	(i)	N/A	N/A
	Market approach	Volatility	45.41%	(v)
Preference shares	Recent transaction price	(i)	N/A	N/A
	Market approach	Volatility	43.23%	(v)
	Market approach	Sales multiples	1.7x-8.4x	(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)

- (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 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 2024 and for the year ended 31 December 2023.

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Financial assets at fair value through other comprehensive income		
Beginning of the period/year	–	6,654
Transfer during the period/year	–	(6,748)
Net gain recognised in other comprehensive income	–	94
End of the period/year (Note 12)	–	–
	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Financial assets at fair value through profit or loss		
Beginning of the period/year	4,008,882	4,915,318
Addition during the period/year	7,939	46,465
Disposal during the period/year	(82,132)	(735,680)
Transfer during the period/year	(13,365)	(243,322)
Net (loss)/gain recognised in profit or loss	(114,338)	49,545
Exchange adjustments	(36,394)	(23,444)
End of the period/year (Note 12)	3,770,592	4,008,882

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)

	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Financial liabilities at fair value through profit or loss		
Beginning of the period/year	519,000	594,165
Net gain recognised in profit or loss	(114,274)	(75,165)
End of the period/year (Note 12)	404,726	519,000
	30/6/2024 HK\$'000 (Unaudited)	31/12/2023 HK\$'000 (Audited)
Derivative financial liabilities		
Beginning of the period/year	4,381	3,858
Disposal during the period/year	(256)	–
Net loss recognised in profit or loss	573	523
End of the period/year (Note 12)	4,698	4,381

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

Glossary

"1H"	the first six months of a 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 C1 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
"Federal Reserve"	the Federal Reserve System of the US
"Group" or "we" or "us"	the Company and its subsidiaries
"HKD" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IPO(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 C3 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 2024
"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)

Glossary

"Share(s)"	ordinary share(s) in the capital of the Company
"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