



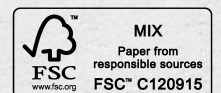
交銀國際控股有限公司

BOCOM International Holdings Co.,Ltd.

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



INTERIM REPORT 2022





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Financial Highlights

Results

Revenue and other income
(in million HK\$)

2021 1H
1,190

2022 1H
(692)

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

2021 1H
559

2022 1H
(1,671)

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

2021 1H
0.2

2022 1H
(0.61)

Revenue and other income by segment

Brokerage
(in million HK\$)

2021 1H
112

2022 1H
70

Corporate finance and
underwriting
(in million HK\$)

2021 1H
81

2022 1H
25

Asset management and
advisory
(in million HK\$)

2021 1H
27

2022 1H
(366)

Margin financing
(in million HK\$)

2021 1H
100

2022 1H
58

Investment and loans
(in million HK\$)

2021 1H
858

2022 1H
(543)

Others
(in million HK\$)

2021 1H
12

2022 1H
64

Financial Position

Shareholders' equity —
attributable to Shareholders
of the Company
(in million HK\$)

At 31 December 2021

6,808

At 30 June 2022

3,979

Total assets
(in million HK\$)

At 31 December 2021

32,662

At 30 June 2022

29,542

Number of shares in issue
(in million shares)

At 31 December 2021

2,734

At 30 June 2022

2,734

NAV per share — attributable to
Shareholders of the Company
(in HK\$)

At 31 December 2021

2.49

At 30 June 2022

1.46



Corporate Information

BOARD OF DIRECTORS

Executive Directors

TAN Yueheng (*Chairman*)
ZHU Chen (*Chief Executive Officer*)
(*appointment effective from 11 July 2022*)
MENG Yu (*Chief Executive Officer*)
(*resignation effective from 3 March 2022*)
CHENG Chuange (*Deputy Chief Executive Officer*)

Non-executive Directors

LIN Zhihong
(*retirement effective from 29 June 2022*)
PO Ying
WANG Xianjia
(*appointment effective from 29 June 2022*)

Independent Non-executive Directors

TSE Yung Hoi
MA Ning
LIN Zhijun

BOARD COMMITTEES

Executive Committee

(*cancellation effective from 11 July 2022*)
TAN Yueheng (*Chairman*)
MENG Yu
(*resignation effective from 3 March 2022*)
CHENG Chuange
XI Xuanhua*
SU Fen*

Audit and Risk Management Committee

LIN Zhijun (*Chairman*)
LIN Zhihong
(*retirement effective from 29 June 2022*)
TSE Yung Hoi
WANG Xianjia
(*appointment effective from 29 June 2022*)

Remuneration Committee

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

Nomination Committee

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

COMPANY SECRETARY

YI Li

AUTHORISED REPRESENTATIVES

CHENG Chuange
YI Li

REGISTERED OFFICE

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

LEGAL ADVISER

As to Hong Kong laws
Freshfields Bruckhaus Deringer

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in
accordance with the 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
HK Bloomberg	3329 HK

COMPANY WEBSITE

www.bocomgroup.com

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

Management Discussion and Analysis

MACRO ENVIRONMENT AND MARKET REVIEW

In the first half of 2022, the COVID-19 pandemic continued to ravage the world, with the Russia-Ukraine conflicts casting shadow over global economic prospects. Global economic growth began to slow down while inflation has been on a tear; people's incomes were shrinking. Supply chain crunch was far from being resolved. Prices of almost all commodities, from energy to agricultural products, were soaring. Inflation of developed economies continued to hit a fresh 40-year record. The pass-through of price pressures from upstream to downstream showed no sign of easing. Inflation has become a risk factor that developed economies have no choice but to face squarely.

Stubbornly high inflation forced major central banks around the world to embark on a journey of rate hikes, with aggressive policy tightening moves in place to pull inflation back to the normal range. With global liquidity getting squeezed amid the latest monetary tightening cycle, emerging and developing economies would feel the pinch of the ever-rising borrowing costs, and should be on alert for the risk of capital outflows. Debt-ridden economies could be confronted with more serious challenges, with default risk mounting and debt crisis brewing.

Domestic economy has showed signs of revival as pro-growth policies were gradually put in place. Yet, the recovery remains divergent among different areas, with investment bouncing back at a faster pace than consumption. China's exports to major trading partners maintained positive growth. Against the backdrop of proactive policy initiatives, investment in infrastructure stood as the main contributing factor to stabilising economic growth, while investment in manufacturing remained strongly resilient. Industrial production made a steady comeback, among which auto and export-related industries did quite well. The property market continued on its downward trajectory and was set for a weak rebound.

Hong Kong is making steady progress on the path to economic recovery while retail services remained under pressure. On back of a whole package of relief measures and consumption vouchers rolled out by the HKSAR government, the social-wide business confidence gets further restored, with both local consumption and investment showing signs of improvement. Riding high on the acceleration in COVID-19 vaccination coverage and a pick-up in overseas demand, Hong Kong's external merchandise trade posted robust growth. Labor market continued to perk up, with the unemployment rate keeping the downward trend. The full reopening of Hong Kong's borders and restoring global travel is crucial to a broader based economic recovery. Hong Kong stock market has undergone sharp rotation from growth to value as inflation has been on an upward trajectory since 2020. Over the first half of the year, value stocks have gained momentum from a persistent inflation environment and demonstrated relative strong resilience.



Management Discussion and Analysis

BUSINESS REVIEW

As one of the earliest licensed securities firms with PRC background in Hong Kong, we are one of the largest securities firms specialising in securities brokerage and margin financing, corporate finance and underwriting, investment and loans, asset management and advisory businesses. We believe that one of our core competitive strengths is our ability to offer comprehensive and integrated financial services and products that fulfill various investment and financing needs of clients. In the first half of 2022, the investment business was significantly influenced by the poor market performance which was mainly due to tightening of Monetary Policy by the US Federal Reserve and the high volatility of the capital market. The loss for the Reporting Period was HK\$1,677.9 million comparing with a profit of HK\$571.7 million for the corresponding period in 2021.

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 2022, US inflation hit 40-year high against the backdrop of the pandemic. As the US Federal Reserve has officially started a cycle of rapid interest rate hikes, yields on cash and cash management products rose rapidly and investors, especially retail clients, were still not willing to invest in the market. Our wealth management platform, which has always been investors-oriented during the sluggish market, launched series of live sharing sessions themed at "Analyse Detail, Embrace Future" aiming to help investors to evaluate and forecast the recent major events in a timely and effective manner, to enable them to understand changes and optimise investment portfolio by analysing events. During the Reporting Period, our team, on the one hand, kept enhancing the expansion of local customers by leveraging on the Group's advantages in domestic areas, to further optimise the customer structure and income structure. On the other hand, our team strengthened the cooperation with high-quality wealth management institutions in the industry to explore products with good risk-return ratios.

For the six months ended 30 June 2022, our commission and fee income from the securities brokerage business was HK\$63.9 million, representing a decrease of HK\$38.8 million or 37.8% as compared with the corresponding period in 2021.

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			
	2022		2021	
	HK\$'million	%	HK\$'million	%
Hong Kong stocks	44.6	69.8	76.7	74.7
Non-Hong Kong stocks	11.2	17.5	14.7	14.3
Bonds	4.7	7.4	5.5	5.4
Others	3.4	5.3	5.8	5.6
	63.9	100.0	102.7	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 rate charged to the margin clients ranges from a prime rate minus 2% to a prime rate plus 5% with reference to the respective margin client's financial background, the quality of underlying collaterals and the overall business relationship with the Company.

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

During the first half of 2022, the number of margin client accounts increased to 9,621. The monthly average loan balance decreased and interest income from margin loans for the six months ended 30 June 2022 was HK\$58.2 million, representing a decrease of HK\$41.4 million or 41.6% as compared with the corresponding period in 2021.

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

	30/6/2022	31/12/2021
Number of margin accounts	9,621	9,586
Balance of gross margin loans (HK\$'million)	1,803.1	2,173.5
Monthly average balance (HK\$'million)	1,960.3	2,649.5
Highest month end balance (HK\$'million)	2,186.0	3,055.4
Lowest month end balance (HK\$'million)	1,793.4	2,173.5
Margin value (HK\$'million) (Note 1)	1,799.8	2,439.1
Market value (HK\$'million) (Note 2)	6,018.3	7,891.3



Management Discussion and Analysis

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 2022, there were a total of 24 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 48% as compared with the corresponding period in 2021. The aggregate amount of funds raised through IPOs was HK\$19.73 billion, representing a decrease of 90.7% as compared with the corresponding period in 2021.

In view that new economy has been playing a dominant role in Hong Kong's capital market, we have devoted more resources in building up execution teams specialising in the technology, media and telecommunications, healthcare and biotechnology industries in order to capture the business opportunities in the new era. During the Reporting Period, we acted as a joint sponsor for one IPO project. Furthermore, we acted as a bookrunner for five completed IPO projects. In respect of debt capital markets, we completed 29 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.

For the six months ended 30 June 2022, our commission and fee income from corporate finance and underwriting services was HK\$24.6 million, representing a decrease of HK\$56.0 million or 69.4% as compared to HK\$80.6 million in the corresponding period of 2021.

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 individual investors and institutional clients. In addition to Hong Kong, we also provide asset management services in Mainland China via BOCOM International (Shanghai) in Shanghai and BOCOM International (Shenzhen) in Qianhai, Shenzhen, and have built up a cross-border asset management platform to seize the best time for investment growth in Mainland China.

As of 30 June 2022, acting as fund manager, we have established over ten BOCOM science and technology innovation equity investment series funds in cities such as Shanghai, Chongqing, Jiangsu, Zhejiang, Hubei, Shandong and Hebei, which focuses on investing in quality enterprises engaged in fields such as artificial intelligence, new materials, bio-pharmaceuticals and next generation information technology. We also provided a full range of integrated financial services to these high quality science and innovation enterprises by relying on BOCOM's resources. Furthermore, we provided investors home and abroad with diversified cross-border asset management product portfolio and a full chain of QFLP and QDIE fund product services. As of 30 June 2022, we have established 12 QFLP funds and 1 QDIE fund, which help overseas and domestic investors to invest in quality assets in Mainland China and overseas respectively. They provided opportunities for quality domestic enterprises to attract foreign shareholders, so as to promote cross-border capital flow in the region.

As at 30 June 2022, the total amount of our AUM was approximately HK\$26,086.9 million, representing a decrease of 20.5% from HK\$32,823.1 million as at 31 December 2021. For the six months ended 30 June 2022, asset management and advisory fee income decreased by HK\$5.1 million or 19.2% to HK\$21.4 million. Proprietary trading loss was HK\$387.8 million, which was due to the guarantee fee payment to a client in accordance with asset management agreements.

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



Management Discussion and Analysis

For structured finance and corporate loans, we launched a full spectrum of credit business, including leveraged loans, structured products, asset-backed loans, convertible bonds, etc. In terms of asset classes, we mainly focused on loans with high-quality underlying assets (including unlisted equities and real estate) and counterparties with good credit track record. Our clients primarily included corporate clients in real estate, technology, stated-owned enterprise, financial and wholesale and retail industries, to which the principal amount of loans granted amounted to HK\$826 million, HK\$564 million, HK\$553 million, HK\$186 million and HK\$141 million respectively as at 30 June 2022 (in 2021: the principal amount of loans granted to corporate clients in real estate, technology, financial, manufacturing and wholesale and retail industries amounted to HK\$935 million, HK\$560 million, HK\$262 million, HK\$99 million and HK\$140 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. Pursuant to the authority vested to the executive committee by the Board, the aggregate amount of loans granted to a single client in 2021 and the Reporting Period should not exceed USD100 million and if such limit was exceeded, approval from the Board was required. During 2021 and the Reporting Period, the Group did not grant any loan to clients exceeding USD100 million, and the aggregate amount of loans granted to the top 5 clients during the Reporting Period was HK\$1,694 million, accounting for 70.6% of the total amount of loans granted by the Group during the Reporting Period in which HK\$553 million was granted to the single largest client, representing 23.0% of the total amount of loans granted by the Group during the Reporting Period (in 2021: the aggregate amount of loans granted to the top 5 clients was HK\$1,289 million, accounting for 60.6% of the total amount of loans granted by the Group during 2021 in which HK\$389 million was granted to the single largest client, representing 18.3% of the total amount of loans granted by the Company during 2021).

During 2021 and 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 2.0% to 7.5% per annum, whilst the interest rates charged for the long-term loans ranged from 5.5% to 7.0% per annum (in 2021: the interest rates charged for the short-term loans ranged from 5.25% to 9.0% per annum, whilst the interest rates charged for the long-term loans lent to clients ranged from 2.0% to 7.5% 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 2022, interest income from loans and advances, receivables from structured financing and financial assets at fair value through other comprehensive income was HK\$326.8 million, representing an increase of approximately 31.1% as compared to HK\$249.2 million for the corresponding period in 2021. Proprietary trading loss was HK\$876.8 million, representing a decrease of HK\$1,462.9 million or 249.6% as compared to income of HK\$586.1 million for the corresponding period in 2021. The loss represented the net loss resulting from fair value changes and partial disposal of equity securities and debt investments held by the Group. The Group's investment business was significantly influenced by the poor market performance.

Management Discussion and Analysis

In general, we require our clients to provide collateral in the form of floating charge or fixed charge to secure their payment obligations under the loans granted to protect our financial position. For the secured collateral, during the Reporting Period, 45.3% of the secured collateral was in the form of securities and 54.7% was in the form of real estate properties (during 2021: 83.2% of the secured collateral was in the form of securities and 16.8% was in the form of real estate properties).

During the Reporting Period, the Company granted short-term loans with maturity up to one year in the principal amount ranging from HK\$78 million to HK\$392 million to its clients having considered the concentration risk of the loan portfolio and the underlying collateral (during 2021: short-term loans with maturity up to one year in the principal amount ranging from HK\$78 million to HK\$389 million were granted); whilst long-term loans with maturity ranging from two to five years in the principal amount ranging from HK\$8 million to HK\$553 million were only granted to corporate clients under syndication arrangement (during 2021: long-term loans with maturity ranging from two to five years in the principal amount ranging from HK\$8 million to HK\$184 million were granted).

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

	30/6/2022		31/12/2021	
	HK\$'million	%	HK\$'million	%
Fixed income securities	15,737.5	82.2	17,490.1	84.3
Bonds	15,022.9	78.5	16,671.1	80.4
Preference shares	714.6	3.7	819.0	3.9
Equity investments	122.5	0.6	97.0	0.5
Funds	3,298.3	17.2	3,155.9	15.2

Research

Our research team focuses on market strategies, macroeconomics, key industries and companies as well as other fields in the global market, and provides independent and objective research support to institutional clients, the Group and the Company's own businesses, and conducts comprehensive analysis and forecasting for the fundamental aspects of specific sectors and companies. The team has been highly rated by institutional investors in Hong Kong, Mainland China and overseas markets. The "New Frontier Research Center" we established has made a breakthrough in cross-sector forward-looking research. Analysts from different sectors have conducted analysis and forecast on cutting-edge topics from various perspectives. Research topics in the first half of the year include special purpose acquisition companies, pension scheme, short video, hydrogen energy, polysilicon for solar photovoltaics manufacturing, new energy vehicle, semiconductor, etc. As of 30 June 2022, the overall readership volume of research reports has grown by 45% year-on-year compared with the same period of 2021.



Management Discussion and Analysis

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	
	2022 HK\$'million	2021 HK\$'million
Brokerage	70.3	112.4
Corporate finance and underwriting	24.6	80.6
Asset management and advisory	(366.1)	26.8
Margin financing	58.2	99.6
Investment and loans	(542.5)	858.6
Others	63.8	11.8
Total	(691.7)	1,189.8

The Group's loss for the six months ended 30 June 2022 was approximately HK\$1,677.9 million, comparing with a profit of HK\$571.7 million for the corresponding period in 2021.

Operating Expenses

Operating expenses and finance costs for the six months ended 30 June 2022 amounted to HK\$982.6 million (2021: HK\$546.6 million), an analysis of which is listed below:

	For the six months ended 30 June			
	2022		2021	
	HK\$'million	%	HK\$'million	%
Commission and brokerage expenses	18.4	1.9%	31.0	5.7
Finance costs	142.1	14.4%	106.3	19.4
Staff costs	143.2	14.6%	194.5	35.6
Depreciation	53.9	5.5%	47.6	8.7
Other operating expenses	198.6	20.2%	105.0	19.2
Change in impairment allowance	426.4	43.4%	62.2	11.4
Total	982.6	100.0%	546.6	100.0

Commission and brokerage expenses decreased by 40.4% for the decrease in brokerage income.

Finance costs increased by 33.6% as a result of increase in average loan balance and increase in average interest rate.

Staff costs decreased by 26.4% for decrease in bonus provision.

Depreciation increased by 13.3% due to increase in depreciation on right-of-use assets in respect of the lease of offices in Shanghai and Shenzhen.

Other operating expenses increased by 89.1% or HK\$93.6 million, mainly due to the presentation issues as the exchange loss of financial liabilities presented as operating expense while exchange gain of financial assets presented as proprietary trading income.

Change in impairment allowance increased to HK\$426.4 million. The impairment mainly represented impairment on loans and advances and debt investments at fair value through other comprehensive income. The Group provided for impairment loss on individual assessment based on the accounting policy under HKFRS 9 to assess the recoverability of the loans and advances and debt investments.

Liquidity, Financial Resources and Gearing Ratio

The Group's cash and bank balances as at 30 June 2022 increased by HK\$15.0 million to HK\$1,853.1 million (31 December 2021: HK\$1,838.1 million).

The Group's net current assets decreased by HK\$1,076.9 million to HK\$9,726.1 million as at 30 June 2022 (31 December 2021: HK\$10,803.0 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.1 times as at 30 June 2022 (31 December 2021: 2.1 times).

As at 30 June 2022, the total borrowings of the Group amounted to HK\$20,284.5 million (31 December 2021: HK\$22,110.6 million), comprising of bank and other borrowings, obligation under repurchase agreements, subordinated loans and debt securities issued. Among which, the subordinated loans from the ultimate holding company amounted to HK\$1,000.0 million (31 December 2021: HK\$1,000.0 million).

As at 30 June 2022, the Group's gearing ratio was 440.1% (31 December 2021: 297.8%), as calculated by dividing total borrowings by total equity.

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

Capital Structure

The Group finances its working capital requirements by cash generated from its business operations, bank loans (including loans from BOCOM) and medium term 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:



Management Discussion and Analysis

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 price risk. The Group has implemented various measures to manage and monitor such risks in accordance with risk appetite and risk limits approved by the Board and also conducts stress tests on a regular basis and when deemed necessary.

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 2022, there was no charge on Group assets (31 December 2021: Nil).

Capital Commitments

As at 30 June 2022, the Group had no significant capital commitments.

Employees and Remuneration Policies

As at 30 June 2022, the Group had a total of 422 employees. Total staff costs amounted to approximately HK\$143.2 million for the six months ended 30 June 2022.

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

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

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

Impact of COVID-19 Pandemic

COVID-19 had a limited impact to our business operations, demonstrating the Group's thorough implementation of a forward-looking approach and effective mitigation actions. We have adopted several precautionary measures and will make adjustments in view of the latest development of the pandemic. Our operations remain stable through the extensive use of information technology. The impact of the COVID-19 pandemic on our finances was minimal. We maintain a healthy liquidity position and sufficient working capital. The COVID-19 pandemic has also made no significant impact on our cost control, funding and business plan.



Management Discussion and Analysis

OUTLOOK AND STRATEGY

The global recovery is in a bumpy ride of heightened uncertainty in the second half of 2022, as the world's central banks shut off the liquidity tap and step into a tightening cycle. The risk of stagflation will further climb up, and meanwhile, it is harder for policymakers to control inflation. The constantly emerging new COVID-19 variants pose a challenge to the global anti-pandemic work. Faced with the supply-side "cost-push" inflation, the US Federal Reserve, at the crossroads between debt, inflation and growth, is determined to bring inflation back to the target range even at the expense of economic growth, and its monetary policy will continuously be tightened in the second half of the year. With steep interest-rate hikes and severe bouts of inflation looming large, downward pressure on the US economy is elevated and international financial markets will become more volatile.

China will progress in its economic recovery from the supply side in the second half of 2022. As the government's pro-growth policies continue to be put in place and take effect, infrastructure and manufacturing sectors are expected to be an important driving force for future economic growth. In the second half of the year, internal demand may be further revived and household consumption is expected to recover. The overall cost of living of China remains stable, ensuring policymakers ample room and sufficient tools to give pro-growth measures full play. Fiscal and monetary policies will continue to play a bigger part in reinvigorating the economy and boosting its organic growth.

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

Corporate Governance and Other Information

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

As at 30 June 2022, the interests and short positions of the Directors and Chief Executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

Long Positions in Shares of the Company

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

Long Positions in shares of associated corporation — BOCOM

Name of Director/Chief Executive	Capacity	Class of shares held in the associated corporation	Number of shares held	Approximate percentage to the total number of relevant class of issued shares of the associated corporation (%)	Approximate percentage to the total number of issued shares of the associated corporation (%)
TAN Yueheng	Beneficial owner	H shares	172,000	0.00	0.00
		A shares	140,000	0.00	0.00
PO Ying	Beneficial owner	A shares	75,000	0.00	0.00
SU Fen*	Beneficial owner	H shares	48,000	0.00	0.00
WANG Xianjia	Beneficial owner	A shares	30,000	0.00	0.00

* Ms. XI Xuanhua and Mr. SU Fen were members of the executive committee of the Company, which was cancelled with effect from 11 July 2022.



Corporate Governance and Other Information

Save as disclosed above, as at 30 June 2022, none of the Directors or Chief Executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

For the six months ended 30 June 2022, 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 2022, the interests and short positions of those persons (other than the Directors or Chief Executives of the Company) in the Shares and underlying Shares of the Company as required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or to the best of Directors' knowledge, were as follows:

Name of Shareholder	Capacity	Long Position/ Short Position	Total Number of Shares held	Approximate percentage 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 2022, the Company is not aware of any other persons, other than the Directors and Chief Executives of the Company, whose interests are set out in the section headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had interests or short positions in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022.

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 2021 annual report. During the six months ended 30 June 2022, save as disclosed below, the Company has complied with all the code provisions set out in part 2 of the Corporate Governance Code.

Code provision C.2.1 of part 2 of the Corporate Governance Code states that the roles of the chairman and chief executive should be separate and should not be performed by the same individual. Before Ms. ZHU Chen was appointed as the chief executive officer and an executive Director of the Company on 11 July 2022, Mr. TAN Yueheng, the Chairman of the Company, had assumed the responsibilities of the chief executive of the Company. The Board believed that Mr. TAN was a suitable candidate to assume the responsibilities of the Chief Executive of the Company and the above arrangement was able to help improve the efficiency of the decision-making and execution process of the Company. The Company had put in place an appropriate check-and-balance mechanism through the Board and the independent non-executive Directors. In light of the above, the Board considered that the deviation from code provision C.2.1 of part 2 of the Corporate Governance Code during the Reporting Period was appropriate in the circumstances of the Company. Following the appointment of Ms. ZHU Chen as the chief executive officer and an executive Director of the Company with effect from 11 July 2022, the Company has complied with code provision C.2.1 of part 2 of the Corporate Governance Code which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.



Corporate Governance and Other Information

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors confirmed that they complied with the Model Code throughout the six months ended 30 June 2022 in response to specific enquiries made by the Company.

CHANGE IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

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

Ms. ZHU Chen has been appointed as a director of BOCOM International (Shanghai), BOCOM International (Shenzhen) and BOCOM International STI Private Fund Management (Shanghai) Co., Ltd with effect from August 2022.

Ms. PO Ying has ceased to be a non-executive director of BANCO BoCom BBM S.A. with effect from August 2022 and a non-executive director of Bank of Communications Financial Leasing Co., Ltd. with effect from August 2022.

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.

SUPPLEMENTAL INFORMATION IN RELATION TO SUBSCRIPTION OF LIMITED PARTNERSHIP INTERESTS AND FORMATION OF PARTNERSHIP

Reference is made to the discloseable transaction announcement of the Company dated 22 June 2022 pursuant to which the Company entered into a partnership agreement and a subscription agreement with, among others, Lingang Wings Inc (in the capacity of a general partner) in relation to the subscription of limited partnership interests of RMB475,000,000 in Lingang Brilliant Investment Limited Partnership. Lingang Wings Inc is ultimately beneficially owned as to 98.73% by Shanghai State-owned Assets Supervision and Administrative Commission and its core management team, comprising of YANG Jing, SHAO Yongxin, ZHOU Guangyu, JIANG Boyu and LU Shuai, has experience in fund management, investment and/or financing ranging from 5 to 20 years. YANG Jing and SHAO Yongxin are primarily responsible for fund raising and making investment and exit decisions whereas the other personnel of the core management team are primarily responsible for the daily operations and management of Lingang Wings Inc.

Reference is made to the connected transaction announcement of the Company dated 27 July 2022 pursuant to which Hainan BOCOM Science and Technology Innovation Shengxing Equity Investment Partnership Enterprise (Limited Partnership), a wholly-owned subsidiary of the Company, entered into a partnership agreement with, among others, Shanghai Jia Jia Investment Company Limited and Shanghai City Jiading District Jiading Town Collective Economic Association. Shanghai Jia Jia Investment Company Limited is ultimately beneficially owned as to 55% by Shanghai Jiading City Town Collective Industrial Association and Shanghai New Collective Economic Cooperation Association, both of which are associations with their assets collectively owned by a large number of residents living in the relevant area and 45% owned by the Collective Asset Supervisory Management Committee of Jiading District, Shanghai City. Shanghai City Jiading District Jiading Town Collective Economic Association is an association with its assets collectively owned by a large number of residents living in the relevant area.

REVIEW OF INTERIM RESULTS

The Audit and Risk Management 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 2022.

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 2022 (2021 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 23 to 69 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 2022 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 2022 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

24 August 2022

Condensed Consolidated Income Statement

	Notes	Six months ended	
		30/6/2022	30/6/2021
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue			
Commission and fee income	6	109,902	209,693
Interest income	6	384,960	348,796
Proprietary trading income	6	(1,264,610)	586,133
		(769,748)	1,144,622
Other income	6	78,018	45,213
Revenue and other income		(691,730)	1,189,835
Commission and brokerage expenses		(18,447)	(30,952)
Finance costs	8	(142,087)	(106,327)
Staff costs	8	(143,180)	(194,552)
Depreciation	8	(53,885)	(47,561)
Other operating expenses		(198,612)	(105,028)
Change in impairment allowance	7	(426,379)	(62,219)
Total expenses		(982,590)	(546,639)
Operating (loss)/profit		(1,674,320)	643,196
Share of results of associates	13	(1,146)	(7,124)
Share of results of joint ventures		(1,141)	6,675
(Loss)/profit before taxation	8	(1,676,607)	642,747
Income tax expense	9	(1,315)	(71,022)
(Loss)/profit for the period		(1,677,922)	571,725
Attributable to:			
Shareholders of the Company		(1,670,629)	558,629
Non-controlling interests		(7,293)	13,096
		(1,677,922)	571,725
(Loss)/earnings per share attributable to shareholders of the Company for the period			
— Basic/Diluted (in HKD per share)	11	(0.61)	0.20

Condensed Consolidated Statement of Comprehensive Income

	Six months ended	
	30/6/2022 (Unaudited) HK\$'000	30/6/2021 (Unaudited) HK\$'000
(Loss)/profit for the period	<u>(1,677,922)</u>	<u>571,725</u>
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	(962,508)	67,234
Amounts reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income	19,265	27,148
	(943,243)	94,382
Exchange differences on translation of foreign operations	(105,748)	12,698
	(1,048,991)	107,080
<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	(354)	(2,605)
Other comprehensive income, net of tax	<u>(1,049,345)</u>	<u>104,475</u>
Total comprehensive income	<u>(2,727,267)</u>	<u>676,200</u>
Attributable to:		
Shareholders of the Company	(2,692,867)	660,166
Non-controlling interests	(34,400)	16,034
	<u>(2,727,267)</u>	<u>676,200</u>

Condensed Consolidated Statement of Financial Position

	<i>Notes</i>	30/6/2022 (Unaudited) HK\$'000	31/12/2021 (Audited) HK\$'000
Assets			
Non-current Assets			
Property and equipment		41,989	41,801
Right-of-use assets		228,506	247,706
Intangible assets		5,167	5,132
Interest in associates	13	201,757	211,778
Interest in joint ventures		385,909	279,318
Other assets		33,562	35,311
Financial assets at fair value through other comprehensive income	12	9,170,115	10,389,040
Loans and advances	14	691,784	479,785
Deferred tax assets		2,353	55,014
Total non-current assets		10,761,142	11,744,885
Current Assets			
Loans and advances	14	1,373,232	1,493,267
Tax recoverable		730	787
Accounts receivable	16	651,860	1,261,442
Other receivables and prepayments	17	847,744	659,653
Margin loans to customers	18	1,713,272	2,076,901
Receivable from reverse repurchase agreements	15	–	106,003
Contract assets		1,656	–
Amount due from a fellow subsidiary		51	30
Amounts due from related parties		225	619
Financial assets at fair value through other comprehensive income	12	2,204,512	2,157,291
Financial assets at fair value through profit or loss	12	10,065,062	11,239,026
Derivative financial assets	12	69,672	83,829
Cash and bank balances	19	1,853,113	1,838,145
Total current assets		18,781,129	20,916,993
Total assets		29,542,271	32,661,878
Equity and liabilities			
Equity attributable to shareholders of the Company			
Share capital	24	3,942,216	3,942,216
Retained earnings		1,443,654	3,251,003
Revaluation reserve		(1,404,256)	(460,659)
Foreign currency translation reserve		(2,905)	75,736
Total equity attributable to shareholders of the Company		3,978,709	6,808,296
Non-controlling interests		630,481	616,169
Total equity		4,609,190	7,424,465

Condensed Consolidated Statement of Financial Position (Continued)

	<i>Notes</i>	30/6/2022 (Unaudited) HK\$'000	31/12/2021 (Audited) HK\$'000
Liabilities			
Non-current Liabilities			
Borrowings	20	5,016,310	4,990,826
Subordinated loans from the ultimate holding company	20	1,000,000	1,000,000
Obligation under repurchase agreements	20	5,799,706	5,043,305
Lease liabilities		157,190	159,296
Deferred tax liabilities		–	51,483
Debt securities issued	21	3,904,843	3,878,479
Total non-current liabilities		15,878,049	15,123,389
Current Liabilities			
Borrowings	20	3,154,206	5,105,198
Obligation under repurchase agreements	20	1,409,484	2,092,831
Tax payable		82,369	87,204
Provision for staff costs		95,391	163,465
Other payables and accrued expenses		74,592	89,802
Accounts payable	22	842,531	224,118
Dividend payable		136,720	–
Contract liabilities	23	25,361	32,807
Lease liabilities		73,192	86,108
Amount due to the ultimate holding company		4,495	5,735
Financial liabilities at fair value through profit or loss	12	3,152,659	2,214,272
Derivative financial liabilities	12	4,032	12,484
Total current liabilities		9,055,032	10,114,024
Total liabilities		24,933,081	25,237,413
Total equity and liabilities		29,542,271	32,661,878
Net current assets		9,726,097	10,802,969
Total assets less current liabilities		20,487,239	22,547,854

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company					Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Retained earnings HK\$'000	Revaluation reserve HK\$'000	Foreign currency translation reserve HK\$'000	Total HK\$'000		
At 31 December 2021 (Audited)	<u>3,942,216</u>	<u>3,251,003</u>	<u>(460,659)</u>	<u>75,736</u>	<u>6,808,296</u>	<u>616,169</u>	<u>7,424,465</u>
Loss for the period	-	(1,670,629)	-	-	(1,670,629)	(7,293)	(1,677,922)
Other comprehensive income for the period	-	-	(943,597)	(78,641)	(1,022,238)	(27,107)	(1,049,345)
Total comprehensive income for the period	-	(1,670,629)	(943,597)	(78,641)	(2,692,867)	(34,400)	(2,727,267)
Capital contribution by non-controlling interests	-	-	-	-	-	48,712	48,712
Final Dividend for 2021 (Note 10)	-	(136,720)	-	-	(136,720)	-	(136,720)
At 30 June 2022 (Unaudited)	<u>3,942,216</u>	<u>1,443,654</u>	<u>(1,404,256)</u>	<u>(2,905)</u>	<u>3,978,709</u>	<u>630,481</u>	<u>4,609,190</u>
At 31 December 2020 (Audited)	<u>3,942,216</u>	<u>3,419,833</u>	<u>(95,069)</u>	<u>39,999</u>	<u>7,306,979</u>	<u>476,959</u>	<u>7,783,938</u>
Profit for the period	-	558,629	-	-	558,629	13,096	571,725
Other comprehensive income for the period	-	1,290*	90,487	9,760	101,537	2,938	104,475
Total comprehensive income for the period	-	559,919	90,487	9,760	660,166	16,034	676,200
Capital contribution by non-controlling interests	-	-	-	-	-	59,829	59,829
Final Dividend for 2020 (Note 10)	-	(437,503)	-	-	(437,503)	-	(437,503)
At 30 June 2021 (Unaudited)	<u>3,942,216</u>	<u>3,542,249</u>	<u>(4,582)</u>	<u>49,759</u>	<u>7,529,642</u>	<u>552,822</u>	<u>8,082,464</u>

* 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	
	30/6/2022 (Unaudited) HK\$'000	30/6/2021 (Unaudited) HK\$'000
Operating activities		
(Loss)/profit before taxation	(1,676,607)	642,747
Adjustments for:		
Dividend income	(52,512)	(47,683)
Interest income from loans or clients	(113,308)	(198,274)
Interest income from financial assets at fair value through other comprehensive income	(271,652)	(150,522)
Bank and other interest income	(15,785)	(17,367)
Profit on disposal of property and equipment	(10)	–
Finance costs	142,087	106,327
Depreciation	53,885	47,561
Change in impairment allowance	426,379	62,219
Unrealised loss/(gain) on financial assets and liabilities at fair value through profit or loss	339,049	(474,831)
Unrealised loss/(gain) on derivative financial assets and liabilities	383,791	(10,125)
Realised loss on debt investments at fair value through other comprehensive income	19,265	27,148
Foreign exchange loss	80,911	10,852
Share of results of associates	1,146	7,124
Share of results of joint ventures	1,141	(6,675)
Operating cash flows before movements in working capital	(682,220)	(1,499)
Decrease in other assets	1,749	11,581
Decrease in financial assets at fair value through profit or loss	693,060	281,769
Increase in financial liabilities at fair value through profit or loss	1,002,876	586,008
(Increase)/decrease in derivative financial assets	(373,666)	22,263
Decrease in derivative financial liabilities	(4,420)	(21,113)
Decrease/(increase) in accounts receivable	469,758	(1,337,677)
Decrease in margin loans to customers	367,244	143,370
(Increase)/decrease in loans and advances	(273,516)	259,273
Decrease/(increase) in receivable from reverse repurchase agreements	106,130	(28,085)
Increase in contract assets	(1,656)	–
Decrease in amounts due from related parties	394	463
(Increase)/decrease in amount due from a fellow subsidiary	(21)	5,857
Increase in other receivables and prepayments	(184,489)	(92,317)
Increase in accounts payable	618,413	325,377
Decrease in amount due to the ultimate holding company	(1,240)	(25,347)
Increase in amount due to a fellow subsidiary	–	166
Decrease in provision for staff costs	(68,074)	(43,242)
(Decrease)/increase in other payables and accrued expenses	(23,618)	61,976
Decrease in contract liabilities	(7,446)	(8,012)
Net cash generated from operations	1,639,258	140,811

Condensed Consolidated Statement of Cash Flows (Continued)

	Six months ended	
	30/6/2022 (Unaudited) HK\$'000	30/6/2021 (Unaudited) HK\$'000
Income tax paid	(4,945)	(2,233)
Interest received from loans or clients	107,762	211,982
Bank and other interest income received	10,713	12,613
Interest expenses paid	(96,536)	(102,745)
Net cash generated from operating activities	1,656,252	260,428
Investing activities		
Dividend received	52,512	47,682
Bond interest income received	309,083	260,423
Purchase of property and equipment	(8,745)	(1,907)
Proceeds on disposal of property and equipment	10	–
Purchase of intangible assets	(229)	–
Step acquisition of a subsidiary, net of cash acquired	–	23,579
Purchase of associates	–	(235)
Distribution from associates	–	1,181
Capital injection to joint ventures	(110,373)	–
Purchase of financial assets at fair value through other comprehensive income	(861,433)	(6,671,233)
Proceeds on disposal of financial assets at fair value through other comprehensive income	934,364	936,581
Net cash generated from/(used in) investing activities	315,189	(5,403,929)
Financing activities		
Net (repayment)/drawdown of bank loans and other borrowings	(1,949,245)	1,438,248
Proceeds on issuance of debt securities	–	3,858,219
Cash payments for interest on debt securities issued	(34,274)	–
Capital contribution by non-controlling interests	48,712	59,829
Principal elements of lease payments	(43,070)	(49,323)
Net cash (used in)/generated from financing activities	(1,977,877)	5,306,973
Net (decrease)/increase in cash and cash equivalents	(6,436)	163,472
Cash and cash equivalents at 1 January	1,833,492	2,000,291
Effect of exchange rate changes on cash and cash equivalents	21,404	5,863
Cash and cash equivalents at 30 June	1,848,460	2,169,626

Notes to the Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

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

The financial information relating to the year ended 31 December 2021, that is included in the condensed consolidated interim report for the six months ended 30 June 2022 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 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

2. BASIS OF PREPARATION

This condensed consolidated interim financial statements for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34, “Interim financial reporting” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with HKFRSs.

Notes to the Condensed Consolidated Financial Statements (Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of amendments to HKFRSs effective for the financial year ending 31 December 2022.

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

- Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*

Amendments to HKFRSs effective for the financial year ending 31 December 2022 do not have a material impact on the Group.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021, with the exception of changes in estimates that are required in determining the impairment losses and valuation of financial assets and fair value of financial instruments. The level of estimation uncertainty and judgement for the calculation of impairment allowance and valuation has significantly increased as a result of the economic effects of the COVID-19 pandemic, where the estimates are often based on future economic condition and sensitive to such condition changes.

Notes to the Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION

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

- (a) Brokerage segment provides securities trading and brokerage services.
- (b) Corporate finance and underwriting segment provides corporate finance services including equity underwriting, debt underwriting, sponsor services and financial advisory services to institutional clients.
- (c) Asset management and advisory segment offers traditional asset management products and services to third party clients. In addition, it also offers investment advisory services, portfolio management services and transaction execution services.
- (d) Margin financing segment provides securities-backed financial leverage for both retail and institutional clients.
- (e) Investment and loans segment engages in direct investment business including investments in various debt and equity securities, investments in companies and investments in loans.
- (f) Others include headquarter operations such as bank interest income, and interest expense incurred for general working capital purposes 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 2022 (Unaudited)							Total HK\$'000
	Brokerage HK\$'000	Corporate finance and underwriting HK\$'000	Asset management and advisory HK\$'000	Margin financing HK\$'000	Investment and loans HK\$'000	Others HK\$'000	Elimination HK\$'000	
Total revenue								
Revenue								
Commission and fee income								
— External	63,931	24,618	21,353	-	-	-	-	109,902
— Internal	82	-	9,363	-	-	-	(9,445)	-
Interest income								
— External	-	-	-	58,180	326,780	-	-	384,960
— Internal	-	-	-	-	26,793	-	(26,793)	-
Proprietary trading income								
— External	-	-	(387,823)	-	(876,787)	-	-	(1,264,610)
— Internal	-	-	-	-	-	-	-	-
Other income	6,361	-	354	-	7,548	63,755	-	78,018
	<u>70,374</u>	<u>24,618</u>	<u>(356,753)</u>	<u>58,180</u>	<u>(515,666)</u>	<u>63,755</u>	<u>(36,238)</u>	<u>(691,730)</u>
Total expenses	(78,948)	(47,031)	(68,270)	(51,611)	(720,019)	(52,949)	36,238	(982,590)
Share of results of associates	-	-	-	-	(1,146)	-	-	(1,146)
Share of results of joint ventures	-	-	-	-	(1,141)	-	-	(1,141)
(Loss)/profit before taxation	<u>(8,574)</u>	<u>(22,413)</u>	<u>(425,023)</u>	<u>6,569</u>	<u>(1,237,972)</u>	<u>10,806</u>	<u>-</u>	<u>(1,676,607)</u>
Other disclosures								
Depreciation	(14,674)	(2,444)	(10,082)	(3,503)	(10,637)	(12,545)	-	(53,885)
Change in impairment allowance	391	(2)	-	3,615	(430,383)	-	-	(426,379)
Finance costs	(212)	(60)	(318)	(18,109)	(149,644)	(537)	26,793	(142,087)

Notes to the Condensed Consolidated Financial Statements (Continued)

5. SEGMENT INFORMATION (continued)

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

	Six months ended	
	30/6/2022 HK\$'000 (Unaudited)	30/6/2021 HK\$'000 (Unaudited)
Total revenue from external customer by location of operations:		
— Hong Kong	(724,130)	1,155,307
— Mainland China	32,400	34,528
	<u>(691,730)</u>	<u>1,189,835</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

6. REVENUE AND OTHER INCOME

	Six months ended	
	30/6/2022 HK\$'000 (Unaudited)	30/6/2021 HK\$'000 (Unaudited)
REVENUE		
COMMISSION AND FEE INCOME		
Brokerage commission	63,931	102,679
Corporate finance and underwriting fee	24,618	80,572
Asset management and advisory fee	21,353	26,442
	<u>109,902</u>	<u>209,693</u>
INTEREST INCOME		
Interest income from margin financing	58,180	99,582
Interest income from loans and advances	55,128	93,184
Interest income from receivable from reverse repurchase agreements	–	5,508
Interest income from financial assets at fair value through other comprehensive income	271,652	150,522
	<u>384,960</u>	<u>348,796</u>
PROPRIETARY TRADING INCOME		
Net trading and investment income		
— Net (loss)/gain on financial assets at fair value through profit or loss*	(1,180,389)	554,868
— Net gain/(loss) on financial assets at fair value through other comprehensive income	47,187	(16,608)
— Net gain/(loss) on financial liabilities at fair value through profit or loss	153,178	(16,083)
— Net (loss)/gain on derivative financial instruments	(352,778)	21,396
— Fair value changes from financial liabilities to the investors of the funds consolidated	15,680	(5,123)
Dividend income		
— Financial assets at fair value through profit or loss	52,512	47,683
	<u>(1,264,610)</u>	<u>586,133</u>
	<u>(769,748)</u>	<u>1,144,622</u>

* The net loss on financial assets at fair value through profit or loss comprised of net trading loss (including the realised and unrealised amounts) of HK\$1,257,755 thousand (six months ended 30 June 2021: net trading gain of HK\$430,166 thousand) and interest income of HK\$77,366 thousand (six months ended 30 June 2021: HK\$124,702 thousand) respectively.

Notes to the Condensed Consolidated Financial Statements (Continued)

6. REVENUE AND OTHER INCOME (continued)

	Six months ended	
	30/6/2022 HK\$'000 (Unaudited)	30/6/2021 HK\$'000 (Unaudited)
OTHER INCOME		
Handling fees	6,316	9,654
Bank and other interest income	15,785	17,367
Others	55,917	18,192
	78,018	45,213

7. CHANGE IN IMPAIRMENT ALLOWANCE

	Six months ended	
	30/6/2022 HK\$'000 (Unaudited)	30/6/2021 HK\$'000 (Unaudited)
Change in impairment allowance on:		
Receivable from reverse repurchase agreements	(127)	413
Accounts receivable	(391)	81
Margin loans to customers	(3,615)	25,120
Loans and advances	181,552	2,487
Debt investments at fair value through other comprehensive income	202,010	34,005
Other receivables	46,950	113
	426,379	62,219

Notes to the Condensed Consolidated Financial Statements (Continued)

8. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended	
	30/6/2022 HK\$'000 (Unaudited)	30/6/2021 HK\$'000 (Unaudited)
(Loss)/profit before taxation has been arrived at after charging:		
Finance costs:		
— Interest expenses on subordinated loans from the ultimate holding company	8,574	8,096
— Interest expenses on bank loans from the ultimate holding company	4,905	7,407
— Interest expenses on bank loans and overdraft from other financial institutions	52,979	61,021
— Interest expenses on obligation under repurchase agreements	29,319	16,471
— Interest expenses on lease liabilities	1,479	1,165
— Interest expenses on financial liabilities	274	2,414
— Interest expenses on debt securities issued:		
— Payable to the ultimate holding company	770	46
— Payable to the fellow subsidiaries	2,260	—
— Payable to other financial institutions	32,566	346
— Others	46	103
	133,172	97,069
— Other borrowing costs to the ultimate holding company	—	875
— Other borrowing costs to other financial institutions	8,915	8,383
	142,087	106,327
Depreciation	53,885	47,561
Operating lease charges	10,057	3,737
Staff costs	143,180	194,552

Notes to the Condensed Consolidated Financial Statements (Continued)

9. INCOME TAX EXPENSE

	Six months ended	
	30/6/2022 HK\$'000 (Unaudited)	30/6/2021 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	–	12,000
PRC Enterprise Income Tax	49	985
Under/(over) provision in prior periods	87	(10,889)
Total current tax	136	2,096
Deferred tax	1,179	68,926
Income tax expense recognised in profit or loss	1,315	71,022

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

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

Notes to the Condensed Consolidated Financial Statements (Continued)

10. DIVIDENDS

Dividends approved during the interim period

	Six months ended	
	30/6/2022 HK\$'000 (Unaudited)	30/6/2021 HK\$'000 (Unaudited)
Final dividend for previous financial year declared and approved of HK\$0.05 per ordinary share (2021: HK\$0.16 per ordinary share)	136,720	437,503

Dividends attributable to the interim period

No dividend was paid or declared by the Company for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

11. (LOSS)/EARNINGS PER SHARE

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

	Six months ended	
	30/6/2022 (Unaudited)	30/6/2021 (Unaudited)
(Loss)/profit attributable to shareholders of the Company (in HK\$'000)	(1,670,629)	558,629
Weighted average number of ordinary shares in issue (in '000 shares)	2,734,392	2,734,392
(Loss)/earnings per share (in HKD per share)	(0.61)	0.20

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

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES

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

Financial assets at fair value through other comprehensive income

	At 30 June 2022 (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	532	–	–	532
Unlisted equity	–	–	6,974	6,974
	<u>532</u>	<u>–</u>	<u>6,974</u>	<u>7,506</u>
Mandatorily measured at fair value through other comprehensive income				
Debt investments	10,816,828	550,293	–	11,367,121
	<u>10,817,360</u>	<u>550,293</u>	<u>6,974</u>	<u>11,374,627</u>
Analysed for reporting purposes:				
Non-current				9,170,115
Current				<u>2,204,512</u>
				<u>11,374,627</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES (continued)

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

	At 31 December 2021 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Designated at fair value through other comprehensive income upon initial recognition				
Equity security	578	–	–	578
Unlisted equity	–	–	7,282	7,282
	<u>578</u>	<u>–</u>	<u>7,282</u>	<u>7,860</u>
Mandatorily measured at fair value through other comprehensive income				
Debt investments*	<u>11,999,283</u>	<u>539,188</u>	<u>–</u>	<u>12,538,471</u>
	<u>11,999,861</u>	<u>539,188</u>	<u>7,282</u>	<u>12,546,331</u>
Analysed for reporting purposes:				
Non-current				10,389,040
Current				<u>2,157,291</u>
				<u>12,546,331</u>

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

Financial assets at fair value through profit or loss

	At 30 June 2022 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity securities	2,381,917	33,917	–	2,415,834
Debt investments	1,726,041	403,001	–	2,129,042
Preference shares	–	–	714,587	714,587
Club debenture	–	–	2,050	2,050
Funds	22,690	–	–	22,690
Unlisted funds	–	241,096	3,009,943	3,251,039
Structured financial products	–	–	15,648	15,648
Unlisted equities	–	–	1,514,172	1,514,172
	<u>4,130,648</u>	<u>678,014</u>	<u>5,256,400</u>	<u>10,065,062</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 2021 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Equity securities	3,336,139	–	–	3,336,139
Debt investments	1,945,962	691,287	–	2,637,249
Preference shares	–	–	819,053	819,053
Club debenture	–	–	2,141	2,141
Funds	23,556	–	–	23,556
Unlisted funds**	–	522,323	2,560,840	3,083,163
Structured financial products	–	–	22,158	22,158
Unlisted equities	–	–	1,315,567	1,315,567
	<u>5,305,657</u>	<u>1,213,610</u>	<u>4,719,759</u>	<u>11,239,026</u>

Derivative financial assets

	At 30 June 2022 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts***	–	188	–	188
Total return swaps	–	599	–	599
Others****	–	208	68,677	68,885
	<u>–</u>	<u>995</u>	<u>68,677</u>	<u>69,672</u>

	At 31 December 2021 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts***	–	271	–	271
Total return swaps	–	5,058	–	5,058
Others****	–	–	78,500	78,500
	<u>–</u>	<u>5,329</u>	<u>78,500</u>	<u>83,829</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 2022 (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	(46,966)	(328,280)	–	(375,246)
Debt investments	(4,162)	–	–	(4,162)
Notes payable	–	(2,756,030)	–	(2,756,030)
Structured note payable	–	(17,221)	–	(17,221)
	<u>(51,128)</u>	<u>(3,101,531)</u>	<u>–</u>	<u>(3,152,659)</u>

	At 31 December 2021 (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	(59,836)	(480,669)	–	(540,505)
Debt investments	(35,424)	–	–	(35,424)
Notes payable	–	(1,611,907)	–	(1,611,907)
Structured note payable**	–	(26,436)	–	(26,436)
	<u>(95,260)</u>	<u>(2,119,012)</u>	<u>–</u>	<u>(2,214,272)</u>

Derivative financial liabilities

	At 30 June 2022 (Unaudited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts***	(183)	–	–	(183)
Others	–	–	(3,849)	(3,849)
	<u>(183)</u>	<u>–</u>	<u>(3,849)</u>	<u>(4,032)</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

12. FINANCIAL ASSETS AND LIABILITIES (continued)

Derivative financial liabilities (continued)

	At 31 December 2021 (Audited)			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Futures contracts***	(3,523)	-	-	(3,523)
Total return swaps	-	(8,406)	-	(8,406)
Others	-	-	(555)	(555)
	<u>(3,523)</u>	<u>(8,406)</u>	<u>(555)</u>	<u>(12,484)</u>

** During the prior period, certain financial assets and liabilities were transferred from Level 3 to Level 2 due to the change from unobservable market inputs upon the completion of listing of underlying assets.

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

**** The amount mainly represented the fair value of the derivative financial assets HK\$68,677 thousand, in relation to the Group's guarantee on the returns of certain asset management arrangements managed by the Group (31 December 2021: the fair value of derivative financial assets HK\$78,500 thousand).

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

13. INTEREST IN ASSOCIATES

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Unlisted investment at the beginning of the period/year	176,921	176,686
Addition for the period/year	-	235
	<u>176,921</u>	<u>176,921</u>
Profit after acquisition		
— As at 1 January	21,652	26,477
— Share of loss for the period/year	(1,146)	(3,644)
Distribution for the period/year	-	(1,181)
Accumulated exchange difference arising from translation of foreign operations	4,330	13,205
	<u>201,757</u>	<u>211,778</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

14. LOANS AND ADVANCES

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Gross loans and advances	2,401,581	2,128,065
Less: impairment allowance	(336,565)	(155,013)
	<u>2,065,016</u>	<u>1,973,052</u>
Net loans and advances:		
Non-current	691,784	479,785
Current	1,373,232	1,493,267
	<u>2,065,016</u>	<u>1,973,052</u>

15. RECEIVABLE FROM REVERSE REPURCHASE AGREEMENTS

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Gross receivable from reverse repurchase agreements	–	106,130
Less: impairment allowance	–	(127)
	<u>–</u>	<u>106,003</u>

There was no outstanding receivable from reverse repurchase agreements as at 30 June 2022 (31 December 2021: the fair value of the collateral allowed for repledging for the outstanding receivable was HK\$100,322 thousand).

Notes to the Condensed Consolidated Financial Statements (Continued)

16. ACCOUNTS RECEIVABLE

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Corporate finance and underwriting business	22,503	17,206
Dealing in securities and futures business		
— Clients	342,200	111,479
— Brokers	209,122	728,982
— Clearing house	82,129	408,260
	633,451	1,248,721
Less: impairment allowance	(4,094)	(4,485)
	651,860	1,261,442

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

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Current (not past due)	640,835	1,251,751
Less than 31 days past due	1,594	1,729
31 – 60 days past due	59	19
61 – 90 days past due	1,328	1,587
Over 90 days past due	12,138	10,841
	15,119	14,176
Less: impairment allowance	(4,094)	(4,485)
	651,860	1,261,442

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)

17. OTHER RECEIVABLES AND PREPAYMENTS

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Other receivables	857,037	617,029
Less: impairment allowance	(60,972)	(14,022)
	796,065	603,007
Prepayments	51,679	56,646
	847,744	659,653

As at 30 June 2022, rental deposit for the properties leased from the ultimate holding company and a fellow subsidiary were HK\$673 thousand (31 December 2021: HK\$702 thousand) and HK\$12,698 thousand (31 December 2021: HK\$13,259 thousand) respectively.

18. MARGIN LOANS TO CUSTOMERS

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Gross margin loans to customers	1,803,074	2,173,492
Less: impairment allowance	(89,802)	(96,591)
Net margin loans to customers	1,713,272	2,076,901

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

Notes to the Condensed Consolidated Financial Statements (Continued)

19. CASH AND BANK BALANCES

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Current and savings accounts	1,848,460	1,833,492
Time deposits with original maturity of more than three months	1,663	1,663
Restricted cash	2,990	2,990
	<u>1,853,113</u>	<u>1,838,145</u>

As at 30 June 2022, bank balances held at the ultimate holding company and a fellow subsidiary were HK\$1,683,086 thousand (31 December 2021: HK\$1,667,013 thousand) and HK\$3,297 thousand (31 December 2021: HK\$2,448 thousand) respectively.

20. BORROWINGS

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Bank loans and other borrowings		
Non-current — ultimate holding company (Note 25)	454,256	451,356
Non-current — authorised institutions	4,562,054	4,539,470
	<u>5,016,310</u>	<u>4,990,826</u>
Current — ultimate holding company (Note 25)	150,000	–
Current — authorised institutions	3,004,206	5,105,198
	<u>3,154,206</u>	<u>5,105,198</u>
Obligation under repurchase agreements		
Non-current	5,799,706	5,043,305
Current	1,409,484	2,092,831
	<u>7,209,190</u>	<u>7,136,136</u>
Subordinated loans (Note 25)		
Non-current	1,000,000	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
Total	<u>16,379,706</u>	<u>18,232,160</u>

As at 30 June 2022, the carrying amount included within financial assets sold under repurchase agreements was HK\$8,525,047 thousand (31 December 2021: HK\$8,393,889 thousand).

Notes to the Condensed Consolidated Financial Statements (Continued)

20. BORROWINGS (continued)

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

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Bank loans and other borrowings		
Within 1 year	4,563,690	7,198,029
Between 1 and 2 years	5,743,095	826,428
Between 2 and 5 years	4,251,101	9,079,679
Over 5 years	821,820	128,024
	15,379,706	17,232,160
Undated	1,000,000	1,000,000
	16,379,706	18,232,160

As at 30 June 2022 and 31 December 2021, all bank borrowings were unsecured. Bank borrowings at 30 June 2022 were charged at floating interest rate ranging from base point plus 0.4% to 1% per annum.

21. DEBT SECURITIES ISSUED

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Debt securities issued	3,904,843	3,878,479

The outstanding balance of HK\$3,904,843 thousand (31 December 2021: HK\$3,878,479 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 2022, the debt securities issued bore fixed interest rate of 1.75% per annum (31 December 2021: 1.75% per annum). Among which, debt securities of US\$15 million and US\$28 million (31 December 2021: US\$16 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)

22. ACCOUNTS PAYABLE

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

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Clients — trade settlement	430,041	177,715
Clearing house	140,814	46,384
Brokers	271,676	19
	<u>842,531</u>	<u>224,118</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.

23. CONTRACT LIABILITIES

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Contract liabilities	<u>25,361</u>	<u>32,807</u>

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

24. SHARE CAPITAL

	Number of shares		Share capital	
	Six months ended 30/6/2022 Thousand Shares (Unaudited)	Year ended 31/12/2021 Thousand Shares (Audited)	Six months ended 30/6/2022 HK\$'000 (Unaudited)	Year ended 31/12/2021 HK\$'000 (Audited)
Issued and fully paid				
At the end of the reporting period	<u>2,734,392</u>	<u>2,734,392</u>	<u>3,942,216</u>	<u>3,942,216</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. RELATED PARTY TRANSACTIONS

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

(a) Ultimate holding company

	Six months ended	
	30/6/2022 HK\$'000 (Unaudited)	30/6/2021 HK\$'000 (Unaudited)
Transaction		
Interest income from deposits	10,164	12,788
Finance costs	15,021	16,424
Computer software development and maintenance service income	5,321	–
Information system consultancy service income	6,714	–
Commission expenses	909	1,187
Asset management and advisory fee	1,520	1,478
Fund management fee income	8,216	9,864
Underwriting fee income	78	–
Rental expenses	2,405	1,278
Other operating expenses	853	1,046
Trading loss from derivatives transactions*	9,128	39,021
Realised gain on financial assets at fair value through profit or loss	–	1,091

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

Notes to the Condensed Consolidated Financial Statements (Continued)

25. RELATED PARTY TRANSACTIONS (continued)

(a) Ultimate holding company (continued)

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Balance of transaction		
Derivative financial assets	188	271
Borrowings	604,256	451,356
Subordinated loans	1,000,000	1,000,000
Amount due to the ultimate holding company	<u>4,495</u>	<u>5,735</u>

(b) Fellow subsidiaries, associates and joint ventures

	Six months ended	
	30/6/2022 HK\$'000 (Unaudited)	30/6/2021 HK\$'000 (Unaudited)
Transaction		
Interest income from deposits	27	32
Finance costs	2,265	–
Commission income	4,075	6,843
Commission expenses	1,613	2,666
Asset management and advisory fee	5,739	3,230
Underwriting fee income	–	–
Rental expenses	22,707	10,820
Other operating expenses	<u>902</u>	<u>1,000</u>

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Balance of transaction		
Accounts receivable	127,610	–
Accounts payable	–	46,185
Amount due from a fellow subsidiary	<u>51</u>	<u>30</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

25. RELATED PARTY TRANSACTIONS (continued)

(c) Related parties

	Six months ended	
	30/6/2022 HK\$'000 (Unaudited)	30/6/2021 HK\$'000 (Unaudited)
Transaction		
Fund management fee income	<u>45</u>	<u>3,825</u>
	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Balance of transaction		
Gross amounts due from related parties	225	619
Less: impairment allowance	<u>-</u>	<u>-</u>
	<u>225</u>	<u>619</u>

26. 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:

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
No later than 1 year	<u>1,500</u>	<u>7,220</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

26. COMMITMENTS (continued)

Investment commitments

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

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Unfunded commitments	234,219	246,404

Loan commitments

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

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Under 1 year	–	11,793

27. 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, receivable from reverse repurchase agreements, amounts due from a fellow subsidiary and related parties, cash and bank balances, accounts and other payable, borrowings, obligation under repurchase agreements, debt securities issued, lease liabilities, subordinated loans from the ultimate holding company and amounts due to the ultimate holding company. 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

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.

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 executive committee 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 executive committee 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)

27. 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 executive committee 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 executive committee 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 COVID-19 pandemic and its effect on the global economy have continued to impact the Group on financial risk management including credit risk, market risk and liquidity risk. There were no material changes to the principles and policies for the management of risk in 2022. The Group continued to actively manage the risk resulting from the pandemic and assess its impact on economic developments.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures related to the unaudited condensed consolidated financial statements, and should be read in conjunction with disclosure in the consolidated financial statements for the year ended 31 December 2021.

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments

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

	Stage of assets			Total HK\$'000
	Stage 1 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 2022	1,946,702	28,061	198,729	2,173,492
Increases	592,809	1	376	593,186
Decreases	(905,617)	(41,571)	(13,242)	(960,430)
Write-off	–	–	(3,174)	(3,174)
Transfers between stages				
— Increase	97	90,332	–	90,429
— Decrease	(90,332)	(97)	–	(90,429)
As at 30 June 2022	<u>1,543,659</u>	<u>76,726</u>	<u>182,689</u>	<u>1,803,074</u>
Gross carrying amount as at 1 January 2021	2,548,049	85,061	248,693	2,881,803
Increases	713,901	10,411	1,273	725,585
Decreases	(1,334,999)	(1,513)	(86,668)	(1,423,180)
Write-off	–	–	(10,716)	(10,716)
Transfers between stages				
— Increase	37,548	17,797	71,265	126,610
— Decrease	(17,797)	(83,695)	(25,118)	(126,610)
As at 31 December 2021	<u>1,946,702</u>	<u>28,061</u>	<u>198,729</u>	<u>2,173,492</u>
(b) Other receivables, amounts due from a fellow subsidiary and related companies				
Gross carrying amount as at 1 January 2022	575,960	28,111	13,607	617,678
Increases	1,002,207	4,429	19,687	1,026,323
Decreases	(778,091)	(6,303)	(2,294)	(786,688)
Transfers between stages				
— Increase	–	5,563	29,526	35,089
— Decrease	(19,651)	(15,438)	–	(35,089)
As at 30 June 2022	<u>780,425</u>	<u>16,362</u>	<u>60,526</u>	<u>857,313</u>
Gross carrying amount as at 1 January 2021	422,967	3,323	11,503	437,793
Increases	296,853	18,831	2,248	317,932
Decreases	(129,752)	(5,528)	(2,767)	(138,047)
Transfers between stages				
— Increase	–	14,108	2,623	16,731
— Decrease	(14,108)	(2,623)	–	(16,731)
As at 31 December 2021	<u>575,960</u>	<u>28,111</u>	<u>13,607</u>	<u>617,678</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	Stage of assets			Total HK\$'000
	Stage 1	Stage 2	Stage 3 Lifetime ECL	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	(credit- impaired) HK\$'000	
(c) Debt investments at FVOCI				
Gross carrying amount as at 1 January 2022	11,942,245	569,408	26,818	12,538,471
Increases	647,509	25,023	19,383	691,915
Decreases	(1,174,938)	(466,481)	(221,846)	(1,863,265)
Transfers between stages				
— Increase	—	503,948	435,402	939,350
— Decrease	(745,340)	(194,010)	—	(939,350)
As at 30 June 2022*	<u>10,669,476</u>	<u>437,888</u>	<u>259,757</u>	<u>11,367,121</u>
Gross carrying amount as at 1 January 2021	2,256,696	327,393	58,566	2,642,655
Increases	11,104,248	268,313	—	11,372,561
Decreases	(996,846)	(448,151)	(31,748)	(1,476,745)
Transfers between stages				
— Increase	—	421,853	—	421,853
— Decrease	(421,853)	—	—	(421,853)
As at 31 December 2021	<u>11,942,245</u>	<u>569,408</u>	<u>26,818</u>	<u>12,538,471</u>
(d) Loans and advances				
Gross carrying amount as at 1 January 2022	1,397,499	389,100	341,466	2,128,065
Increases	558,164	—	5,650	563,814
Decreases	(286,808)	—	(3,490)	(290,298)
Transfers between stages				
— Increase	—	—	747,072	747,072
— Decrease	(357,972)	(389,100)	—	(747,072)
As at 30 June 2022	<u>1,310,883</u>	<u>—</u>	<u>1,090,698</u>	<u>2,401,581</u>
Gross carrying amount as at 1 January 2021	2,673,593	131,352	—	2,804,945
Increases	527,879	1,805	78,347	608,031
Decreases	(1,284,911)	—	—	(1,284,911)
Transfers between stages				
— Increase	—	519,062	263,119	782,181
— Decrease	(519,062)	(263,119)	—	(782,181)
As at 31 December 2021	<u>1,397,499</u>	<u>389,100</u>	<u>341,466</u>	<u>2,128,065</u>

* Debt investments measured at FVOCI are measured at fair value with the allowance for ECL (as disclosed on page 61) as a memorandum item. Change in ECL allowance is disclosed in Note 7.

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	Stage of assets			Total HK\$'000
	Stage 1	Stage 2	Stage 3	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	
(e) Receivable from reverse repurchase agreements				
Gross carrying amount as at 1 January 2022	106,130	–	–	106,130
Increases	–	–	–	–
Decreases	(106,130)	–	–	(106,130)
As at 30 June 2022	–	–	–	–
Gross carrying amount as at 1 January 2021	237,356	–	–	237,356
Increases	–	–	–	–
Decreases	(131,226)	–	–	(131,226)
As at 31 December 2021	106,130	–	–	106,130

	Stage of assets				Total HK\$'000
	Stage 1	Stage 2	Stage 3	Lifetime	
	12-month ECL HK\$'000	Lifetime ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Lifetime ECL (simplified approach) HK\$'000	
(f) Accounts receivable					
Gross carrying amount as at 1 January 2022	1,248,720	–	–	17,207	1,265,927
Increases	–	–	1	8,211	8,212
Reverses	(615,270)	–	–	(2,915)	(618,185)
As at 30 June 2022	633,450	–	1	22,503	655,954
Gross carrying amount as at 1 January 2021	1,082,786	–	53	28,685	1,111,524
Increases	165,935	–	–	1,768	167,703
Reverses	(1)	–	(53)	(13,246)	(13,300)
As at 31 December 2021	1,248,720	–	–	17,207	1,265,927

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

As at 30 June 2022 and 31 December 2021, 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 2022	2,700	8	93,883	96,591
Increases	170	–	399	569
Reverses	(1,855)	(7)	(2,322)	(4,184)
Write-off	–	–	(3,174)	(3,174)
Transfers between stages				
— Increase	–	2	–	2
— Decrease	(2)	–	–	(2)
As at 30 June 2022	<u>1,013</u>	<u>3</u>	<u>88,786</u>	<u>89,802</u>
As at 1 January 2021	3,949	1,116	77,613	82,678
Increases	1,830	–	26,537	28,367
Reverses	(3,064)	(7)	(667)	(3,738)
Write-off	–	–	(10,716)	(10,716)
Transfers between stages				
— Increase	–	15	1,116	1,131
— Decrease	(15)	(1,116)	–	(1,131)
As at 31 December 2021	<u>2,700</u>	<u>8</u>	<u>93,883</u>	<u>96,591</u>
(b) Other receivables, amounts due from a fellow subsidiary and related parties				
As at 1 January 2022	262	154	13,606	14,022
Increases	142	113	46,989	47,244
Reverses	(87)	(18)	(189)	(294)
Transfers between stages				
— Increase	–	5	117	122
— Decrease	(9)	(113)	–	(122)
As at 30 June 2022	<u>308</u>	<u>141</u>	<u>60,523</u>	<u>60,972</u>
As at 1 January 2021	324	36	11,511	11,871
Increases	155	129	4,864	5,148
Reverses	(183)	(43)	(2,771)	(2,997)
Transfers between stages				
— Increase	–	34	2	36
— Decrease	(34)	(2)	–	(36)
As at 31 December 2021	<u>262</u>	<u>154</u>	<u>13,606</u>	<u>14,022</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	Stage of assets			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL (credit- impaired) HK\$'000	
(c) Debt investments at FVOCI				
As at 1 January 2022	17,428	19,899	151,704	189,031
Increases	1,683	13,497	200,228	215,408
Reverses	(4,140)	(689)	(8,569)	(13,398)
Transfers between stages				
— Increase	—	1,563	17,515	19,078
— Decrease	(2,043)	(17,035)	—	(19,078)
As at 30 June 2022	<u>12,928</u>	<u>17,235</u>	<u>360,878</u>	<u>391,041</u>
As at 1 January 2021	12,334	13,363	244,106	269,803
Increases	14,258	18,047	47,934	80,239
Reverses	(4,830)	(461)	—	(5,291)
Derecognise	(2,233)	(13,151)	(140,336)	(155,720)
Transfers between stages				
— Increase	—	2,101	—	2,101
— Decrease	(2,101)	—	—	(2,101)
As at 31 December 2021	<u>17,428</u>	<u>19,899</u>	<u>151,704</u>	<u>189,031</u>
(d) Loans and advances				
As at 1 January 2022	1,752	34	153,227	155,013
Increases	296	—	181,448	181,744
Reverses	(192)	—	—	(192)
Transfers between stages				
— Increase	—	—	520	520
— Decrease	(486)	(34)	—	(520)
As at 30 June 2022	<u>1,370</u>	<u>—</u>	<u>335,195</u>	<u>336,565</u>
As at 1 January 2021	1,095	87	—	1,182
Increases	1,291	1,161	152,063	154,515
Reverses	(580)	(17)	(87)	(684)
Transfers between stages				
— Increase	—	54	1,251	1,305
— Decrease	(54)	(1,251)	—	(1,305)
As at 31 December 2021	<u>1,752</u>	<u>34</u>	<u>153,227</u>	<u>155,013</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

	Stage of assets			Total HK\$'000
	Stage 1 12-month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL (credit- impaired) HK\$'000	
(e) Receivable from reverse repurchase agreements				
As at 1 January 2022	127	–	–	127
Increases	–	–	–	–
Reverses	(127)	–	–	(127)
As at 30 June 2022	–	–	–	–
As at 1 January 2021	6	–	–	6
Increases	121	–	–	121
Reverses	–	–	–	–
As at 31 December 2021	127	–	–	127

	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	Lifetime ECL (simplified approach) HK\$'000	
(f) Accounts receivable					
As at 1 January 2022	24	–	–	4,461	4,485
Increases	–	–	–	2	2
Reverses	(8)	–	–	(385)	(393)
As at 30 June 2022	16	–	–	4,078	4,094
As at 1 January 2021	63	–	–	3,378	3,441
Increases	–	–	–	1,083	1,083
Reverses	(39)	–	–	–	(39)
As at 31 December 2021	24	–	–	4,461	4,485

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

Credit Risk Exposure of Financial Instruments (continued)

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

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

To reflect the prevailing market condition, the 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 2022 and 31 December 2021, 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:

	30/6/2022		31/12/2021	
	Optimistic +10% HK\$'000	Pessimistic +10% HK\$'000	Optimistic +10% HK\$'000	Pessimistic +10% HK\$'000
Loans and advances	26	(800)	33	(1,126)
Debt securities	703	(12,442)	391	(11,416)
Margin finance	30	(68)	51	(87)

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

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

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

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 30 June 2022.

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

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

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

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

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

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

As at 30 June 2022	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income				
Unlisted equity	Recent transaction price	(i)	N/A	N/A
Financial assets at fair value through profit or loss				
Club debenture	Recent transaction price	Liquidity discount rate	25%	(ii)
Unlisted equities	Recent transaction price	(i)	N/A	N/A
	Equity allocation method	Volatility	41.01%- 56.24%	(vi)
Unlisted funds	Equity allocation method	Sales multiples	2.4x	(iii)
	Allocated net asset value	Net asset value	N/A	(iv)
	Recent transaction price	(i)	N/A	N/A
Preference shares	Recent transaction price	(i)	N/A	N/A
	Equity allocation method	Volatility	40.26%- 60.47%	(vi)
Structured financial products	Equity allocation method	Sales multiples	2.4x-4.2x	(iii)
	Guaranteed principal plus expected return	Expected return rate	N/A	(v)

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

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

As at 31 December 2021	Valuation technique	Unobservable inputs	Range	Relationship of unobservable inputs to fair value
Financial assets at fair value through other comprehensive income				
Unlisted equity	Recent transaction price	(i)	N/A	N/A
Financial assets at fair value through profit or loss				
Club debenture	Recent transaction price	Liquidity discount rate	25%	(ii)
Unlisted equities	Recent transaction price	(i)	N/A	N/A
	Allocated net asset value	Net asset value	N/A	(iv)
Unlisted funds	Equity allocation method	Volatility	41.20%-	(vi)
			66.08%	
Unlisted funds	Equity allocation method	Sales multiples	4.7x	(iii)
		Allocated net asset value	Net asset value	N/A
Preference shares	Equity allocation method	Recent transaction price	N/A	N/A
		Volatility	45.55%-	(vi)
Structured financial products	Equity allocation method	Sales multiples	4.2x-4.8x	(iii)
		Guaranteed principal plus expected return	Expected return rate	N/A

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

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

The following tables present the changes in Level 3 instruments for the six months ended 30 June 2022 and for the year ended 31 December 2021.

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Financial assets at fair value through other comprehensive income		
Beginning of the period/year	7,282	7,107
Net (loss)/gain recognised in other comprehensive income	<u>(308)</u>	<u>175</u>
End of the period/year (Note 12)	<u><u>6,974</u></u>	<u><u>7,282</u></u>
Financial assets at fair value through profit or loss		
Beginning of the period/year	4,719,759	3,739,873
Addition during the period/year	701,311	1,910,172
Disposal during the period/year	(208,438)	(468,565)
Transfer during the period/year*	–	(1,462,124)
Net gain recognised in profit or loss	<u>43,768</u>	<u>1,000,403</u>
End of the period/year (Note 12)	<u><u>5,256,400</u></u>	<u><u>4,719,759</u></u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

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

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Derivative financial assets		
Beginning of the period/year	78,500	–
Addition during the period/year	–	78,500
Disposal during the period/year	(9,823)	–
End of the period/year (Note 12)	<u>68,677</u>	<u>78,500</u>
Financial liabilities at fair value through profit or loss		
Beginning of the period/year	–	22,047
Addition during the period/year	–	–
Transfer during the period/year*	–	(43,440)
Net loss recognised in profit or loss	–	21,393
End of the period/year (Note 12)	<u>–</u>	<u>–</u>

Notes to the Condensed Consolidated Financial Statements (Continued)

27. FINANCIAL RISK MANAGEMENT (continued)

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

	30/6/2022 HK\$'000 (Unaudited)	31/12/2021 HK\$'000 (Audited)
Derivative financial liabilities		
Beginning of the period/year	555	7,790
Addition during the period/year	3,290	2,330
Disposal during the period/year	–	(1,864)
Net loss/(gain) recognised in profit or loss	4	(7,701)
End of the period/year (Note 12)	<u>3,849</u>	<u>555</u>

* During the prior period, certain financial assets and liabilities were transferred out from Level 3. Please refer to Note 12 for details.

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



Glossary

“1H”	the first six months of a 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 Equity Investment Management (Shenzhen) Company Limited (交銀國際股權投資管理(深圳)有限公司), a company incorporated in the PRC with limited liability on 3 February 2016, a subsidiary of BOCOM International Asset Management Limited and an indirect subsidiary of the Company
“BOCOM Nominee”	Bank of Communications (Nominee) Company Limited, a company incorporated in Hong Kong with limited liability on 21 August 1981 and a subsidiary of BOCOM and a shareholder of the Company holding Shares on trust for BOCOM
“BOCOM Science and Technology Innovation Equity Investment Fund”	BOCOM Science and Technology Innovation Equity Investment Fund (Shanghai) Partnership Enterprise (Limited Partnership) 交銀科創股權投資基金(上海)合夥企業(有限合夥), a limited partnership established under the laws of the PRC
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	BOCOM International Holdings Company Limited (交銀國際控股有限公司), a company incorporated in Hong Kong with limited liability on 3 June 1998, the issued Shares of which are listed on the Main Board of the Stock Exchange

"Corporate Governance Code"	code on corporate governance practices contained in Appendix 14 to the Listing Rules
"Director(s)"	director(s) of the Company
"Expectation Investment"	Expectation Investment Limited, a company incorporated in Hong Kong with limited liability on 29 January 1997, an indirect subsidiary of BOCOM and a Shareholder of the Company
"Group" or "we" or "us"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HKD" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"IPO(s)"	initial public offering(s)
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC" or "China"	People's Republic of China
"QDIE"	Qualified Domestic Investment Entity
"QFLP"	Qualified Foreign Limited Partnership
"Reporting Period"	the six months ended 30 June 2022
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	ordinary share(s) in the capital of the Company



Glossary

"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "HKEX"	The Stock Exchange of Hong Kong Limited
"US" or "United States"	the United States of America
"USD" or "US\$"	United States dollars, the lawful currency of the United States