

**BOCI ASIA LIMITED**  
**中銀國際亞洲有限公司**

**2019 INTERIM REPORT**

**BOCI ASIA LIMITED**  
**中銀國際亞洲有限公司**

**CONDENSED CONSOLIDATED INCOME STATEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

|  |      | Unaudited<br>Six months ended<br>30 June |                        |
|--|------|--|------------------------|
|  | Note | 2019<br>HK\$                             | 2018<br>HK\$           |
| Revenue  | 4a   | 1,352,517,952                            | 1,720,377,159          |
| Trading gain, net  | 4b   | 184,064,837                              | 97,149,606             |
| Other income   |      | 102,250,005                              | 101,282,432            |
| Total income   |      | <u>1,638,832,794</u>                     | <u>1,918,809,197</u>   |
| Commission and clearing expenses                         |      | (287,717,990)                            | (421,221,782)          |
| Staff costs  |      | (206,670,698)                            | (206,585,494)          |
| Operating lease rental in respect of leased premises     |      | (20,186,214)                             | (30,023,682)           |
| Depreciation   |      | (10,473,921)                             | (7,130)                |
| Information technology and communications expenses       |      | (54,200,406)                             | (64,257,830)           |
| Management fees to related companies                     |      | (314,441,387)                            | (301,064,186)          |
| Other operating expenses                                 |      | (67,493,125)                             | (85,022,699)           |
|  |      | <u>(961,183,741)</u>                     | <u>(1,108,182,803)</u> |
| Finance costs  |      | (107,299,590)                            | (135,926,753)          |
| Profit before taxation                                   |      | <u>570,349,463</u>                       | <u>674,699,641</u>     |
| Income tax expense                                       | 5    | (25,063,641)                             | (66,789,073)           |
| Profit after taxation for the period                     |      | <u>545,285,822</u>                       | <u>607,910,568</u>     |
| Profit attributable to:<br>Equity holders of the Company |      | <u>545,285,822</u>                       | <u>607,910,568</u>     |

**BOCI ASIA LIMITED**  
**中銀國際亞洲有限公司**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

|   | Unaudited<br>Six months ended 30 June |                    |
|---|---------------------------------------|--------------------|
|   | 2019<br>HK\$                          | 2018<br>HK\$       |
| Profit after taxation for the period              | 545,285,822                           | 607,910,568        |
| Total comprehensive income for the period         | <u>545,285,822</u>                    | <u>607,910,568</u> |
| Attributable to:<br>Equity holders of the Company | <u>545,285,822</u>                    | <u>607,910,568</u> |

**BOCI ASIA LIMITED**  
**中銀國際亞洲有限公司**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2019**

|  | Note | Unaudited<br>30 June<br>2019<br>HK\$ | Audited<br>31 December<br>2018<br>HK\$ |
|--|------|--------------------------------------|--|
| <b>NON-CURRENT ASSETS</b>  |      |                                      |  |
| Plant and equipment  | 6    | -                                    | -                                      |
| Intangible assets  |      | 57,492,212                           | 49,715,218                             |
| Right-of-use assets  |      | 93,083,091                           | -                                      |
| Financial assets at fair value through other<br>comprehensive income | 7    | 354,927                              | 354,869                                |
| Statutory deposits and other assets                                  |      | 101,731,311                          | 77,680,449                             |
| Deferred income tax assets   |      | 1,066,105                            | 1,148,349                              |
| Total non-current assets   |      | 253,727,646                          | 128,898,885                            |
| <b>CURRENT ASSETS</b>  |      |                                      |  |
| Financial assets at fair value through profit or loss                | 8    | 886,537,210                          | 534,237,232                            |
| Debt instruments at amortised cost                                   | 9    | 498,923,386                          | 249,289,837                            |
| Derivative financial instruments                                     | 10   | 106,883,030                          | 156,840,962                            |
| Loans and receivables  | 11   | 20,133,769,256                       | 20,605,270,946                         |
| Amounts due from the immediate holding company                       | 14   | 2,299,631,873                        | 1,952,453,528                          |
| Amounts due from fellow subsidiaries                                 | 13   | 41,472,345                           | 5,713                                  |
| Amounts due from a related company                                   | 14   | 2,207,011                            | -                                      |
| Cash and balances with banks   | 12   | 6,114,731,950                        | 7,104,186,867                          |
| Taxation recoverable   |      | 89,286,297                           | 90,074,895                             |
| Total current assets   |      | 30,173,442,358                       | 30,692,539,980                         |
| <b>CURRENT LIABILITIES</b>   |      |                                      |  |
| Bank loans and other borrowings-unsecured                            |      | 700,161,096                          | -                                      |
| Subordinated loans from the immediate holding company                | 14   | 2,500,000,000                        | 2,500,000,000                          |
| Amounts due to the immediate holding company                         | 14   | 3,310,218,879                        | 5,226,964,225                          |
| Amounts due to fellow subsidiaries                                   | 13   | 3,124,141                            | 15,038,712                             |
| Amounts due to a related company                                     | 14   | -                                    | 5,692,865                              |
| Accounts and other payables  | 15   | 6,750,450,563                        | 5,825,243,148                          |
| Leased liabilities   |      | 36,578,745                           | -                                      |
| Deposits from customers  | 16   | 6,848,639,856                        | 7,486,004,060                          |
| Derivative financial instruments                                     | 10   | 156,269,523                          | 193,743,871                            |
| Financial liabilities at fair value through profit or loss           | 17   | 47,156,700                           | 125,201,087                            |
| Taxation payable   |      | 82,222,301                           | 58,045,059                             |
| Total current liabilities  |      | 20,434,821,804                       | 21,435,933,027                         |
| <b>NET CURRENT ASSETS</b>  |      | 9,738,620,554                        | 9,256,426,953                          |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                         |      | 9,992,348,200                        | 9,385,325,838                          |

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AT 30 JUNE 2019**

|  | Note | Unaudited<br>30 June<br>2019<br>HK\$ | Audited<br>31 December<br>2018<br>HK\$ |
|--|------|--------------------------------------|--|
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>   |      | 9,992,348,200                        | 9,385,325,838                          |
|  |      | -----                                | -----                                  |
| <b>NON-CURRENT LIABILITIES</b>   |      |                                      |  |
| Accounts and other payables  | 15   | 34,037,084                           | 34,037,084                             |
| Leased liabilities   |      | 61,736,540                           | -                                      |
|  |      | -----                                | -----                                  |
| Total non-current liabilities  |      | 95,773,624                           | 34,037,084                             |
|  |      | -----                                | -----                                  |
| <b>Net assets</b>  |      | 9,896,574,576                        | 9,351,288,754                          |
|  |      | =====                                | =====                                  |
| <b>EQUITY</b>  |      |                                      |  |
| Capital and reserves attributable to the Company's equity holders                                  |      |                                      |  |
| Share capital  | 18   | 2,000,000,000                        | 2,000,000,000                          |
| Reserve for fair value change of financial assets at fair value through other comprehensive income |      | 15,000                               | 15,000                                 |
| Retained earnings  |      | 7,896,559,576                        | 7,351,273,754                          |
|  |      | -----                                | -----                                  |
| Total equity   |      | 9,896,574,576                        | 9,351,288,754                          |
|  |      | =====                                | =====                                  |

**BOCI ASIA LIMITED**  
**中銀國際亞洲有限公司**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

|  | Unaudited            |   |                      |                      |
|--|----------------------|---|----------------------|----------------------|
|  | Share capital        | Reserve for fair value<br>change of financial<br>assets at fair value<br>through other<br>comprehensive<br>income | Retained earnings    | Total                |
|  | HK\$                 | HK\$  | HK\$                 | HK\$                 |
| Balance at 1 January 2019              | 2,000,000,000        | 15,000  | 7,351,273,754        | 9,351,288,754        |
| Comprehensive income for<br>the period | -                    | -   | 545,285,822          | 545,285,822          |
| Balance at 30 June 2019                | <u>2,000,000,000</u> | <u>15,000</u>   | <u>7,896,559,576</u> | <u>9,896,574,576</u> |
| Balance at 1 January 2018              | 2,000,000,000        | 15,000  | 6,768,197,152        | 8,768,212,152        |
| Comprehensive income<br>for the period | -                    | -   | 607,910,568          | 607,910,568          |
| Balance at 30 June 2018                | <u>2,000,000,000</u> | <u>15,000</u>   | <u>7,376,107,720</u> | <u>9,376,122,720</u> |

**BOCI ASIA LIMITED**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2019**

|   | Unaudited<br>Six months ended<br>30 June |               |
|---|--|---------------|
|   | 2019<br>HK\$                             | 2018<br>HK\$  |
| Net cash outflow from operating activities                          | (752,771,645)                            | (622,598,881) |
| Net cash (outflow)/ inflow from investing activities                | (255,395,394)                            | 578,784       |
| Net cash outflow from financing activities                          | (10,166,167)                             | -             |
|   | <hr/>                                    | <hr/>         |
| Net decrease in cash and cash equivalents                           | (1,018,333,206)                          | (622,020,097) |
| Cash and cash equivalents at 1 January                              | 5,703,538,757                            | 7,414,541,705 |
|   | <hr/>                                    | <hr/>         |
| Cash and cash equivalents at 30 June                                | 4,685,205,551                            | 6,792,521,608 |
|   | <hr/> <hr/>                              | <hr/> <hr/>   |
| Analysis of balance of cash and cash equivalents                    |  |               |
| Bank and cash balance with original maturity within<br>three months | 4,685,205,551                            | 6,792,521,608 |
|   | <hr/> <hr/>                              | <hr/> <hr/>   |

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**1 Basis of preparation**

The unaudited interim report of BOCI Asia Limited and its subsidiaries (“the Group”) is prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

**2 Accounting policies**

The accounting policies and methods of computation used in the preparation of the unaudited interim report are consistent with those used in the Group’s consolidated financial statements for the year ended 31 December 2018, except for the changes in accounting policies described in note 2.1 and should be read in conjunction with the Group’s consolidated financial statements for 2018.

**2.1 Changes in accounting policies and disclosures**

In this unaudited interim report, the Group applied HKFRS 16, effective for annual periods beginning on or after 1 January 2019, for the first time.

HKFRS 16 Leases

HKFRS 16, “Leases”. HKFRS 16 supersedes the existing standard and interpretations related to leases. Significant changes to lessees’ accounting are introduced, with the distinction between operating and finance leases removed. Lessees account for all leases in a similar way as the finance lease accounting under HKAS 17, i.e. the lessees recognise and measure the corresponding “right-of-use” asset and lease liability at the commencement date (the date when the underlying asset is available for use by lessees) of the lease by discounting the total future lease payment. Subsequently, the lessees recognise interest expense through the unwinding of the lease liability, and the expense on the depreciation of the right-of-use asset, instead of recognising as rental expenses under operating leases before the implementation of HKFRS 16. As a practical expedient, the lessees can elect not to apply this accounting model to short-term leases not more than 12 months and leases of low value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term. There are no significant changes to the lessors’ accounting requirements as compared with HKAS 17. The requirements of HKFRS 16 are summarised as follows: Lease liabilities are the discounted present value of the future cash flows of the non-cancellable lease payments of the lease contracts, after taking into account payments to be made in optional period if the extension option is reasonably certain to be exercised, using the lessees’ incremental borrowing rates at the commencement date of leases as discount rate.

Right-of-use assets are generally measured at the amount of the lease liabilities plus initial direct costs, estimated dismantling or restoring cost and adjusted by prepaid lease payments. Right-of-use assets are subsequently measured at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability.



**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

2.1 Changes in accounting policies and disclosures (continued)

HKFRS 16 Leases (continued)

After the commencement date, the carrying value of lease liability will be increased to reflect the unwinding of discount through interest expense and will be reduced to reflect the lease payments made. The lease liability will also be re-measured if there is any modification to the lease contracts. Right-of-use assets are depreciated by straight-line method from commencement date to the end of lease term. In case there is a purchase option that is expected to be exercised, then the right-of-use asset will be depreciated to the end of the useful life of the underlying asset.

The Group has elected to use the modified retrospective approach and the practical expedient on short-term and low-value assets leases for the adoption of HKFRS 16 and recognised the cumulative effect of the initial application by initially recognising the opening balances of the right-of-use assets and lease liabilities at 1 January 2019 with no restatement of the comparative information. The initial application has affected lease contracts that previously classified as operating leases. The first time application of HKFRS 16 resulted in the initial recognition of lease liabilities of HK\$48,491,261 and right-of-use assets of HK\$48,534,166 respectively, mainly related to lease of land and building. The difference between lease liabilities and right-of-use assets is related to the adjustment arising from prepaid or accrued rent as at the initial adoption date. Initial direct costs were not included in the opening adjustment of right-of-use assets as permitted by the transition requirements of the standard. So far as the impact on the adoption of HKFRS 16 is concerned, the Group is not required to make any adjustments or reclassification at the date of initial application of HKFRS 16 on leasehold lands and the properties located there, other than identifying their carrying amounts in the disclosure notes of the corresponding assets. There is no impact on the opening balance of equity.

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**3 Segment information**

The operating business of BOC International Holdings Limited (“the BOCI Group”), the Group’s immediate holding company, are organized and managed separately according to the nature of the products and services provided, with each segment reporting a strategic business unit that offers different products. The Group’s operating business segment and structure follow that of the BOCI Group.

Business segments have been used as a primary reporting format and no geographical segment analysis is presented as most of the Group’s major business activities and assets are conducted in Hong Kong.

The main business segments of the Group are as follows:

|                                |   |
|--------------------------------|---|
| Investment banking             | <ul style="list-style-type: none"><li>• Provides a wide range of securities origination services for issuer clients, including underwriting and placement of public and private equity, debt and related securities.</li><li>• Advises clients on mergers, acquisitions and restructurings.</li></ul> |
| Brokerage & wealth management  | <ul style="list-style-type: none"><li>• Provides brokerage, and margin financing service to individual and institutional clients.</li></ul>   |
| Private banking                | <ul style="list-style-type: none"><li>• Provides a range of services for high net-worth individual clients and corporate clients.</li></ul>   |
| Fixed income & equity market   | <ul style="list-style-type: none"><li>• Facilitates client transactions and makes markets in securities, derivatives, currencies, commodities and other financial instruments to satisfy client demands.</li><li>• Engages in principal and in proprietary trading activities.</li></ul>              |
| Leveraged & structured finance | <ul style="list-style-type: none"><li>• Provides structured financing and financial advisory services.</li></ul>  |
| Treasury and others            | <ul style="list-style-type: none"><li>• Provides central treasury services on behalf of Group companies.</li></ul>  |

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**3 Segment information (continued)**

The Group's segment results for six months ended 30 June 2019 are as follows:

Unaudited

|                                      | Investments<br>banking<br>HK\$'000 | Brokerage &<br>wealth<br>management<br>HK\$'000 | Private<br>banking<br>HK\$'000 | Fixed<br>income and<br>equity<br>market<br>HK\$'000 | Leveraged<br>&<br>structured<br>finance<br>HK\$'000 | Treasury<br>and others<br>HK\$'000 | Elimination<br>HK\$'000 | Total<br>HK\$'000 |
|--------------------------------------|------------------------------------|---|--------------------------------|---|---|------------------------------------|-------------------------|-------------------|
| <u>Six months ended 30 June 2019</u> |                                    |   |                                |   |   |                                    |                         |                   |
| Total income – external              | 45,935                             | 1,175,859                                       | 189,733                        | 188,597   | 8,907   | 29,802                             | -                       | 1,638,833         |
| Total income –<br>inter-segment      | -                                  | -   | 20,069                         | -   | -   | 44,107                             | (64,176)                | -                 |
| Commission and clearing<br>expense   | (17)                               | (262,966)                                       | (11,726)                       | (12,773)  | (4)   | (232)                              | -                       | (287,718)         |
| Depreciation                         | -                                  | (8,375)   | -                              | (704)   | -   | (1,395)                            | -                       | (10,474)          |
| Other operating expenses             | (68,247)                           | (176,985)                                       | (70,171)                       | (42,573)  | (3,708)   | 13,133                             | -                       | (348,551)         |
| Finance costs – external             | -                                  | (3,420)   | (22,657)                       | (549)   | (71)  | (80,603)                           | -                       | (107,300)         |
| Finance costs –<br>inter-segment     | -                                  | -   | (44,178)                       | -   | 71  | (20,069)                           | 64,176                  | -                 |
| Segment results                      | (22,329)                           | 724,113   | 61,070                         | 131,998   | 5,195   | (15,257)                           | -                       | 884,790           |
| Unallocated cost                     |                                    |   |                                |   |   |                                    |                         | (314,441)         |
| Operating profits                    |                                    |   |                                |   |   |                                    |                         | <u>570,349</u>    |
| <u>Six months ended 30 June 2018</u> |                                    |   |                                |   |   |                                    |                         |                   |
| Total income – external              | 84,283                             | 1,415,520                                       | 177,781                        | 189,269   | 9,168   | 42,788                             | -                       | 1,918,809         |
| Total income –<br>inter-segment      | -                                  | -   | 10,547                         | -   | -   | 30,366                             | (40,913)                | -                 |
| Commission and clearing<br>expense   | (389)                              | (395,621)                                       | (8,032)                        | (16,830)  | (3)   | (347)                              | -                       | (421,222)         |
| Depreciation                         | -                                  | (7)   | -                              | -   | -   | -                                  | -                       | (7)               |
| Other operating expenses             | (68,381)                           | (205,129)                                       | (74,750)                       | (39,832)  | (3,075)   | 5,278                              | -                       | (385,889)         |
| Finance costs – external             | -                                  | (3,513)   | (9,707)                        | (2,185)   | (4)   | (120,518)                          | -                       | (135,927)         |
| Finance costs –<br>inter-segment     | -                                  | -   | (30,370)                       | -   | 4   | (10,547)                           | 40,913                  | -                 |
| Segment results                      | 15,513                             | 811,250   | 65,469                         | 130,422   | 6,090   | (52,980)                           | -                       | 975,764           |
| Unallocated cost                     |                                    |   |                                |   |   |                                    |                         | (301,064)         |
| Operating profits                    |                                    |   |                                |   |   |                                    |                         | <u>674,700</u>    |

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**4 Revenue and trading gain, net**

**(a) Revenue**

|   | Unaudited<br>Six month ended<br>30 June |                      |
|---|---|----------------------|
|   | 2019<br>HK\$                            | 2018<br>HK\$         |
| Brokerage commission                                      | 554,258,641                             | 870,768,042          |
| Underwriting and placement commission                     | 135,404,188                             | 202,335,841          |
| Corporate finance and loan syndication fees               | 42,327,859                              | 67,305,248           |
| Interest income from bank deposits and loans to customers | 604,921,112                             | 550,549,974          |
| Dividend income from listed equities held for trading     | 15,606,152                              | 29,418,054           |
|   | <u>1,352,517,952</u>                    | <u>1,720,377,159</u> |

**(b) Trading gain, net**

|   | 2019<br>HK\$       | 2018<br>HK\$      |
|---|--------------------|-------------------|
| Net realised/unrealised gain/(loss) on financial assets and financial liabilities |                    |                   |
| - Equity securities   | 13,289,453         | (134,673,128)     |
| - Debt securities   | 49,762,013         | 42,482,594        |
| - Derivative financial instruments  | 121,013,371        | 189,340,140       |
|   | <u>184,064,837</u> | <u>97,149,606</u> |

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**5 Income tax expense**

Hong Kong profits tax has been provided at the rate of 16.5% (first half of 2018: 16.5%) on the estimated assessable profit for the first half of the years. The amount of taxation charged to the condensed consolidated income statement represents:

|                         | Unaudited<br>Six months ended<br>30 June |                   |
|-------------------------|--|-------------------|
|                         | 2019<br>HK\$                             | 2018<br>HK\$      |
| Current income tax:     |  |                   |
| - Hong Kong profits tax | 24,177,242                               | 65,501,225        |
| - Overseas taxation     | 804,155                                  | 1,229,591         |
| Deferred income tax     | 82,244                                   | 58,257            |
|                         | <u>25,063,641</u>                        | <u>66,789,073</u> |

**6 Plant and equipment**

During the six months ended 30 June 2019, the Group did not spend (first half of 2018: Nil) on the acquisitions of plant and equipment.

**7 Financial assets at fair value through other comprehensive income**

|                                       | Unaudited<br>At 30 June<br>2019<br>HK\$ | Audited<br>At 31 December<br>2018<br>HK\$ |
|---------------------------------------|---|---|
| Non-current assets, at fair value     |   |   |
| - Club debentures, unlisted           | 355,000                                 | 355,000                                   |
| Less: Allowance for impairment losses | (73)                                    | (131)                                     |
|                                       | <u>354,927</u>                          | <u>354,869</u>                            |

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**8 Financial assets at fair value through profit or loss**

|  | Unaudited<br>At 30 June<br>2019<br>HK\$ | Audited<br>At 31 December<br>2018<br>HK\$ |
|--|---|---|
| Trading securities, at fair value        |   |   |
| - Equity securities, listed in Hong Kong | 886,537,210                             | 534,237,232                               |
|  | <u>886,537,210</u>                      | <u>534,237,232</u>                        |

**9 Debt instruments at amortised cost**

|   | Unaudited<br>At 30 June<br>2019<br>HK\$ | Audited<br>At 31 December<br>2018<br>HK\$ |
|---|---|---|
| Hong Kong Exchange Fund Bills, unlisted | 498,950,499                             | 249,305,212                               |
| Less: Allowance for impairment losses   | (27,113)                                | (15,375)                                  |
|   | <u>498,923,386</u>                      | <u>249,289,837</u>                        |
| Analysed by type of issuers as follows: |   |   |
| Sovereigns                              | 498,950,499                             | 249,305,212                               |
| Less: Allowance for impairment losses   | (27,113)                                | (15,375)                                  |
|   | <u>498,923,386</u>                      | <u>249,289,837</u>                        |

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**10 Derivative financial instruments**

The Group enters into the following equity and foreign exchange derivative financial instruments for trading and risk management purposes. The types of derivatives utilised by the Group are shown in the following table:

| Derivatives          | Description  |
|----------------------|--|
| Forwards and futures | These instruments are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the over-the-counter (OTC) market, whereas futures are standardised contracts transacted on regulated exchanges.   |
| Options              | Options are contractual agreements under which, typically, the seller (writer) grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified quantity of a financial instrument or commodity at a predetermined price. The purchaser pays a premium to the seller for this right. Options involving more complex payment structures are also transacted. Options may be traded OTC or on a regulated exchange, and may be traded in the form of a security (warrant). |
| Swaps                | These are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period. Most swaps are traded OTC. The major types of swap transactions undertaken by the Group are interest rate swaps, credit default swaps and equity swaps.   |

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**10 Derivative financial instruments (continued)**

The contract/notional amounts and fair values of derivative financial instruments held by the Group are set out in the following tables. The contract/notional amounts of these instruments indicate the volume of transactions outstanding at the balance sheet dates and certain of them provide a basis for comparison with fair value instruments recognised in the condensed consolidated statement of financial position. However, they do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate fair values of derivative financial instruments assets and liabilities can fluctuate significantly from time to time.

|                         | Notional<br>amount<br>HK\$'000 | Unaudited<br>At 30 June 2019   |                     |
|-------------------------|--------------------------------|--------------------------------|---------------------|
|                         |                                | Assets<br>HK\$                 | Liabilities<br>HK\$ |
| Exchange rate contracts | 5,256,652                      | 5,636,380                      | 3,230,745           |
| Equity contracts        | 9,007,649                      | 101,246,650                    | 153,038,778         |
|                         |                                | <u>106,883,030</u>             | <u>156,269,523</u>  |
|                         |                                |                                |                     |
|                         | Notional<br>amount<br>HK\$'000 | Audited<br>At 31 December 2018 |                     |
|                         |                                | Assets<br>HK\$                 | Liabilities<br>HK\$ |
| Exchange rate contracts | 3,529,351                      | 10,042,150                     | 7,546,927           |
| Equity contracts        | 5,879,432                      | 145,549,319                    | 184,947,451         |
| Interest rate contracts | 80,000                         | 1,249,493                      | 1,249,493           |
|                         |                                | <u>156,840,962</u>             | <u>193,743,871</u>  |



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**11 Loans and receivables**

|  | Unaudited<br>At 30 June<br>2019<br>HK\$ | Audited<br>At 31 December<br>2018<br>HK\$ |
|--|---|---|
| Accounts receivable from dealing in securities | 6,327,610,643                           | 5,887,184,984                             |
| Loans to customers                             | 13,636,216,892                          | 14,405,024,309                            |
| Fees and commission receivable                 | 99,667,864                              | 68,989,910                                |
| Deposits, prepayments and other receivables    | 113,192,405                             | 287,212,848                               |
|  | <hr/>                                   | <hr/>                                     |
| Gross  | 20,176,687,804                          | 20,648,412,051                            |
| Impairment allowance (stage 1 under HKFRS 9)   |   |   |
| - loans to customers                           | (7,532)                                 | (10,244)                                  |
| - fees and commission receivable               | (265,496)                               | (378,281)                                 |
| Impairment allowance (stage 3 under HKFRS 9)   |   |   |
| - loans to customers                           | (1,275,200)                             | (1,279,027)                               |
| - fees and commission receivable               | (41,370,320)                            | (41,473,553)                              |
|  | <hr/>                                   | <hr/>                                     |
|  | <u>20,133,769,256</u>                   | <u>20,605,270,946</u>                     |

Loans to customers, which include receivables from margin clients of approximately HK\$8,851 million (end of 2018: approximately HK\$10,105 million), were secured by listed securities and a cash deposit. The Group is permitted to sell or re-pledge such collateral.

The receivables have excluded the brokerage client monies maintained in the trust accounts with Hong Kong Futures Exchange Clearing Corporation Limited and the Stock Exchange Options Clearing House.

**12 Cash and balances with banks**

|  | Unaudited<br>At 30 June<br>2019<br>HK\$ | Audited<br>At 31 December<br>2018<br>HK\$ |
|--|---|---|
| Cash at bank and in hand                     | 1,890,769,534                           | 1,078,303,887                             |
| Short-term bank deposits and placements      |   |   |
| - with original maturity within three months | 2,794,436,017                           | 4,625,234,870                             |
| - with original maturity over three months   | 1,429,632,647                           | 1,400,817,070                             |
| Less: Allowance for impairment losses        | (106,248)                               | (168,960)                                 |
|  | <hr/>                                   | <hr/>                                     |
|  | <u>6,114,731,950</u>                    | <u>7,104,186,867</u>                      |

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**12 Cash and balances with banks (continued)**

The Group maintains trust accounts with authorised institutions and other financial institutions as part of its normal business transactions. At 30 June 2019, trust accounts with authorised institutions and other financial institutions not otherwise dealt with in the condensed consolidated financial statements amounted to approximately HK\$36,314 million (end of 2018: HK\$32,271 million).

**13 Amounts due from/to fellow subsidiaries**

Amounts due from/to fellow subsidiaries are non-interest bearing with carrying balances approximating their fair value.

**14 Amounts due from/to the immediate holding company/a related company/subordinated loans from the immediate holding company**

Amounts due to the immediate holding company for daily administrative activities are unsecured, interest free and repayable upon demand.

Amounts due from/ to the immediate holding company for cash management and general funding purpose are unsecured and bear prevailing market interest rate and repayable within 1 year.

Amounts due from/ to a related company are unsecured, interest-free and repayable upon demand with carrying balances approximating their fair value.

Subordinated loans were borrowed from the immediate holding company of HK\$2,500,000,000 (end of 2018: HK\$2,500,000,000), which are unsecured and bear interest at commercial interest rates. The loans were approved by the Hong Kong Securities and Futures Commission as subordinated loans for exclusion from ranking liabilities in accordance with section 53(2) of the Hong Kong Securities and Futures (Financial Resources) Rules in the computation of regulatory liquid capital.

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**15 Accounts and other payables**

|   | Unaudited<br>At 30 June<br>2019<br>HK\$ | Audited<br>At 31 December<br>2018<br>HK\$ |
|---|---|---|
| Accounts payable from dealing in securities | 6,413,639,048                           | 5,383,896,033                             |
| Accounts payable from securities trading    | 111,602                                 | 5,216                                     |
| Discretionary bonus payable                 | 277,780,724                             | 277,780,724                               |
| Others payables and accrued expenses        | 92,956,273                              | 197,598,259                               |
|   | <u>6,784,487,647</u>                    | <u>5,859,280,232</u>                      |

The carrying amounts of accounts payable approximate their fair value. All accounts payables are non-interest bearing.

Accounts payable represent amounts due to brokerage clients, brokers and clearing houses, and are due within one month. Accounts payable to clients exclude those payables placed in trust accounts with authorized institutions, Hong Kong Futures Exchange Corporation Limited and Stock Exchange Options Clearing House.

**16 Deposits from customers**

Majority of the deposits from customers are time, call and notice deposits and maturing within three months.

**17 Financial liabilities at fair value through profit or loss**

|  | Unaudited<br>At 30 June<br>2019<br>HK\$ | Audited<br>At 31 December<br>2018<br>HK\$ |
|--|---|---|
| Trading securities, at fair value        |   |   |
| - Equity securities, listed in Hong Kong | <u>47,156,700</u>                       | <u>125,201,087</u>                        |

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**18 Share capital**

|   | Unaudited<br>At 30 June<br>2019<br>HK\$ | Audited<br>At 31 December<br>2018<br>HK\$ |
|---|---|---|
| Issued and fully paid:                  |   |   |
| 200,000 (2018: 200,000) ordinary shares | <u>2,000,000,000</u>                    | <u>2,000,000,000</u>                      |

**19 Material related-party transactions**

Related parties are those parties that have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties can be individuals or other entities.

During the period, save as disclosed in the above notes, the Group entered into various transactions with related parties. These transactions were conducted on normal commercial terms.

Summary of material transactions entered into during the ordinary course of business with fellow subsidiaries and associates in BOCI Group and other subsidiaries of Bank of China Limited are as follows:

|   | Unaudited<br>Six months ended<br>30 June<br>2019<br>HK\$'000 | 2018<br>HK\$'000 |
|---|--|------------------|
| Condensed consolidated income statement items:        |  |                  |
| Interest income from bank deposits & others           | 113,299  | 85,866           |
| Brokerage commission                                  | 221,581  | 381,438          |
| Corporate finance and loan syndication fees           | 2,934  | 13,631           |
| Other handling income                                 | 98   | 513              |
| Underwriting and placement commission                 | 10,508   | 22,418           |
| Management fee income                                 | 66,407   | 12,729           |
| Interest expense from loans and other borrowings      | (80,478)   | (115,924)        |
| Commission expenses arising from brokerage activities | (83,479)   | (150,061)        |
| Management fee expense                                | (314,441)  | (301,064)        |
| Operating lease rental in respect of leased premises  | <u>(20,056)</u>  | <u>(28,696)</u>  |