

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

**2020 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 2020**

		Unaudited Six months ended 30 June	
	Notes	2020 HK\$	2019 HK\$
Revenue	4a	1,549,611,282	1,352,517,952
Trading gain, net	4b	128,567,741	184,064,837
Other income		122,719,859	102,250,005
Total income		<u>1,800,898,882</u>	<u>1,638,832,794</u>
Commission and clearing expenses		(406,223,682)	(287,717,990)
Staff costs		(207,792,406)	(206,670,698)
Operating lease rental in respect of leased premises		(5,141,089)	(20,186,214)
Depreciation		(17,893,047)	(10,473,921)
Information technology and communications expenses		(67,216,041)	(54,200,406)
Management fees to related companies		(329,529,559)	(314,441,387)
Other operating expenses		(75,785,813)	(67,493,125)
		<u>(1,109,581,637)</u>	<u>(961,183,741)</u>
Finance costs		(96,013,094)	(107,299,590)
Profit before taxation		<u>595,304,151</u>	<u>570,349,463</u>
Income tax expense	5	(51,316,087)	(25,063,641)
Profit for the period		<u>543,988,064</u>	<u>545,285,822</u>
Profit attributable to: Equity holders of the Company		<u>543,988,064</u>	<u>545,285,822</u>

**BOCI ASIA LIMITED**  
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Unaudited Six months ended 30 June	
	2020 HK\$	2019 HK\$
Profit for the period	543,988,064	545,285,822
Total comprehensive income for the period	<u>543,988,064</u>	<u>545,285,822</u>
Attributable to: Equity holders of the Company	<u>543,988,064</u>	<u>545,285,822</u>

**BOCI ASIA LIMITED**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2020**

	Notes	Unaudited 30 June 2020 HK\$	Audited 31 December 2019 HK\$
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	6	-	-
Right-of-use assets		58,424,850	75,453,787
Intangible assets		55,763,991	56,628,102
Financial assets at fair value through other comprehensive income	7	354,872	354,982
Statutory deposits and other assets		156,971,309	78,502,943
Deferred income tax assets		4,581,203	4,358,458
Total non-current assets		276,096,225	215,298,272
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss	8	1,130,716,097	284,378,671
Debt instruments at amortised cost	9	149,758,186	149,610,910
Derivative financial instruments	10	292,000,989	150,815,271
Loans and receivables	11	27,431,894,840	23,329,240,281
Amounts due from the immediate holding company	14	4,531,802,432	2,765,836,830
Amounts due from fellow subsidiaries	13	10,837,492	8,402
Amounts due from a related company	14	8,972,071	8,972,071
Cash and balances with banks	12	7,265,062,401	5,856,492,852
Taxation recoverable		90,074,895	90,074,895
Total current assets		40,911,119,403	32,635,430,183
<b>CURRENT LIABILITIES</b>			
Bank loans		500,019,078	200,135,626
Subordinated loans from the immediate holding company	14	2,500,000,000	2,500,000,000
Amounts due to the immediate holding company	14	6,887,489,126	4,290,105,676
Amounts due to fellow subsidiaries	13	5,212,031	7,180,198
Amounts due to a related company	14	1,030,470	-
Accounts and other payables	15	10,645,656,124	8,015,247,574
Leased liabilities		34,325,955	33,750,465
Deposits from customers	16	7,670,867,606	7,033,830,423
Derivative financial instruments	10	370,247,958	209,536,730
Financial liabilities at fair value through profit or loss	17	1,612,562,650	152,699,232
Taxation payable		109,664,778	84,795,300
Total current liabilities		30,337,075,776	22,527,281,224
<b>NET CURRENT ASSETS</b>		10,574,043,627	10,108,148,959
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		10,850,139,852	10,323,447,231

**BOCI ASIA LIMITED**  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**AT 30 JUNE 2020**

	Notes	Unaudited 30 June 2020 HK\$	Audited 31 December 2019 HK\$
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		10,850,139,852	10,323,447,231
<b>NON-CURRENT LIABILITIES</b>			
Accounts and other payables	15	22,016,208	22,016,208
Leased liabilities		25,394,372	42,689,815
Total non-current liabilities		<u>47,410,580</u>	<u>64,706,023</u>
<b>Net assets</b>		<u>10,802,729,272</u>	<u>10,258,741,208</u>
<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		8,802,714,272	8,258,726,208
Total equity		<u>10,802,729,272</u>	<u>10,258,741,208</u>

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Unaudited			
	Share capital HK\$	Reserve for fair value change of financial assets at fair value through other comprehensive income HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 January 2020	2,000,000,000	15,000	8,258,726,208	10,258,741,208
Profit and total comprehensive income for the period	-	-	543,988,064	543,988,064
Balance at 30 June 2020	<u>2,000,000,000</u>	<u>15,000</u>	<u>8,802,714,272</u>	<u>10,802,729,272</u>
Balance at 1 January 2019	2,000,000,000	15,000	7,351,273,754	9,351,288,754
Profit and total comprehensive income for 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>

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	Unaudited Six months ended 30 June	
	2020 HK\$	2019 HK\$
Net cash inflow/(outflow) from operating activities	1,109,495,374	(752,771,645)
Net cash inflow/(outflow) from investing activities	999,865	(255,395,394)
Net cash inflow/(outflow) from financing activities	281,886,452	(10,166,167)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1,392,381,691	(1,018,333,206)
Cash and cash equivalents at 1 January	3,523,790,851	5,703,538,757
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	4,916,172,542	4,685,205,551
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balance of cash and cash equivalents		
Bank and cash balance with original maturity within three months	4,916,172,542	4,685,205,551
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**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 2019 and should be read in conjunction with the Group’s consolidated financial statements for 2019.

**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 2020 are as follows:

Unaudited

	Investments banking HK\$'000	Brokerage & wealth management HK\$'000	Private banking HK\$'000	Fixed income & equity market HK\$'000	Leveraged & structured finance HK\$'000	Treasury and others HK\$'000	Elimination HK\$'000	Total HK\$'000
<u>Six months ended 30 June 2020</u>								
Total income – external	32,490	1,276,617	204,495	256,574	14,523	16,200	-	1,800,899
Total income – inter-segment	-	-	7,269	-	-	43,924	(51,193)	-
Commission and clearing expense	(5)	(342,811)	(4,990)	(57,175)	-	(1,243)	-	(406,224)
Depreciation	-	(11,809)	-	(4,039)	-	(2,045)	-	(17,893)
Other operating expenses	(55,760)	(142,404)	(67,629)	(118,710)	(3,302)	31,870	-	(355,935)
Finance costs – external	-	(3,422)	(6,999)	(1,116)	(37)	(84,439)	-	(96,013)
Finance costs – inter-segment	-	-	(43,961)	-	37	(7,269)	51,193	-
Segment results	(23,275)	776,171	88,185	75,534	11,221	(3,002)	-	924,834
Unallocated cost								(329,530)
Operating profits								<u>595,304</u>
<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 – inter-segment	-	-	20,069	-	-	44,107	(64,176)	-
Commission and clearing 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 – 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>

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**4 Revenue and trading gain, net**

**(a) Revenue**

	Unaudited Six month ended 30 June	
	2020 HK\$	2019 HK\$
Brokerage commission	814,126,702	554,258,641
Underwriting and placement commission	143,424,587	135,404,188
Corporate finance and loan syndication fees	25,001,562	42,327,859
Interest income from bank deposits and loans to customers	559,437,679	604,921,112
Dividend income from listed equities held for trading	7,620,752	15,606,152
	<u>1,549,611,282</u>	<u>1,352,517,952</u>

**(b) Trading gain, net**

	2020 HK\$	2019 HK\$
Net realised/unrealised (loss)/gain on financial assets and financial liabilities		
- Equity securities	(175,033,059)	13,289,453
- Debt securities	38,834,673	49,762,013
- Derivative financial instruments	264,766,127	121,013,371
	<u>128,567,741</u>	<u>184,064,837</u>

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**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 2019: 16.5%) on the estimated assessable profit for the first half of the year. The amount of taxation charged to the condensed consolidated income statement represents:

	Unaudited Six months ended 30 June	
	2020 HK\$	2019 HK\$
Current income tax:		
- Hong Kong profits tax	51,538,832	24,177,242
- Overseas taxation	-	804,155
Deferred income tax	(222,745)	82,244
	<u>51,316,087</u>	<u>25,063,641</u>

**6 Plant and equipment**

During the six months ended 30 June 2020, the Group did not spend (first half of 2019: Nil) on the acquisitions of plant and equipment.

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

	Unaudited At 30 June 2020 HK\$	Audited At 31 December 2019 HK\$
Non-current assets, at fair value		
- Club debentures, unlisted	355,000	355,000
Less: Allowance for impairment losses – Stage 1	(128)	(18)
	<u>354,872</u>	<u>354,982</u>

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

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

	Unaudited At 30 June 2020 HK\$	Audited At 31 December 2019 HK\$
Trading securities, at fair value - Equity securities, listed in Hong Kong	1,130,716,097	284,378,671

**9 Debt instruments at amortised cost**

	Unaudited At 30 June 2020 HK\$	Audited At 31 December 2019 HK\$
Hong Kong Exchange Fund Bills, unlisted	149,771,397	149,623,764
Less: Allowance for impairment losses – Stage 1	(13,211)	(12,854)
	<u>149,758,186</u>	<u>149,610,910</u>
Analysed by type of issuers as follows:		
Sovereigns	<u>149,758,186</u>	<u>149,610,910</u>
Analysed by issue specific credit rating as follows:		
Fitch, AA+ to AA-	<u>149,758,186</u>	<u>149,610,910</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 amount HK\$'000	Unaudited At 30 June 2020	
		Assets HK\$	Liabilities HK\$
Exchange rate contracts	3,809,138	5,571,427	8,911,761
Equity contracts	12,120,809	286,429,562	361,336,197
		<u>292,000,989</u>	<u>370,247,958</u>
		<u><u>292,000,989</u></u>	<u><u>370,247,958</u></u>
	Notional amount HK\$'000	Audited At 31 December 2019	
		Assets HK\$	Liabilities HK\$
Exchange rate contracts	2,392,905	9,276,622	5,044,302
Equity contracts	5,762,225	141,538,649	204,492,428
		<u>150,815,271</u>	<u>209,536,730</u>
		<u><u>150,815,271</u></u>	<u><u>209,536,730</u></u>

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**11 Loans and receivables**

	Unaudited At 30 June 2020 HK\$	Audited At 31 December 2019 HK\$
Accounts receivable from dealing in securities	12,067,598,086	8,653,683,376
Loans to customers	15,215,666,607	14,529,682,658
Fees and commission receivable	117,784,895	119,982,114
Deposits, prepayments and other receivables	80,834,919	69,191,542
	<u>27,481,884,507</u>	<u>23,372,539,690</u>
Gross		
Impairment allowance (stage 1 under HKFRS 9)		
- loans to customers	(10,628)	(8,143)
- fees and commission receivable	(1,619,560)	(245,015)
Impairment allowance (stage 3 under HKFRS 9)		
- loans to customers	(1,265,922)	(1,271,868)
- fees and commission receivable	(47,093,557)	(41,774,383)
	<u>27,431,894,840</u>	<u>23,329,240,281</u>

Loans to customers, which include receivables from margin clients of approximately HK\$10,446 million (end of 2019: approximately HK\$9,480 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 HKFE Clearing Corporation Limited and the SEHK Options Clearing House Limited.

**12 Cash and balances with banks**

	Unaudited At 30 June 2020 HK\$	Audited At 31 December 2019 HK\$
Cash at bank and in hand	2,282,569,034	1,164,523,183
Short-term bank deposits and placements		
- with original maturity within three months	2,633,603,508	2,359,267,668
- with original maturity over three months	2,349,219,633	2,332,793,356
Less: Allowance for impairment losses – Stage 1	(329,774)	(91,355)
	<u>7,265,062,401</u>	<u>5,856,492,852</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 2020, trust accounts with authorised institutions and other financial institutions not otherwise dealt with in the condensed consolidated financial statements amounted to approximately HK\$45,558 million (end of 2019: HK\$40,775 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 2019: 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 At 30 June 2020 HK\$	Audited At 31 December 2019 HK\$
Accounts payable from dealing in securities	10,305,872,123	7,588,397,426
Accounts payable from securities trading	47,361	12,005
Discretionary bonus payable	114,125,910	230,801,573
Others payables and accrued expenses	247,626,938	218,052,778
	<u>10,667,672,332</u>	<u>8,037,263,782</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, HKFE Clearing Corporation Limited and the SEHK Options Clearing House Limited.

**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 At 30 June 2020 HK\$	Audited At 31 December 2019 HK\$
Trading securities, at fair value		
- Equity securities, listed in Hong Kong	<u>1,612,562,650</u>	<u>152,699,232</u>

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**

**18 Share capital**

	Unaudited At 30 June 2020 HK\$	Audited At 31 December 2019 HK\$
Issued and fully paid:		
200,000 (2019: 200,000) ordinary shares	2,000,000,000	2,000,000,000

**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 Six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Condensed consolidated income statement items:		
Interest income from bank deposits & others	75,028	113,299
Brokerage commission	363,256	221,581
Corporate finance and loan syndication fees	-	2,934
Other handling income	1,117	98
Underwriting and placement commission	17,823	10,508
Management fee income	27,547	16,396
Interest expense from loans and other borrowings	(79,893)	(80,478)
Commission expenses arising from brokerage activities	(153,990)	(83,479)
Management fee expense	(329,530)	(314,441)
Operating lease rental in respect of leased premises	(4,999)	(20,056)