

BOCI ASIA LIMITED
中銀國際亞洲有限公司

2021 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 2021

		Unaudited Six months ended 30 June	
	Notes	2021 HK\$	2020 HK\$
Revenue	4a	1,850,430,217	1,549,611,282
Trading gain, net	4b	342,618,073	128,567,741
Other income		97,818,963	122,719,859
Total income		<u>2,290,867,253</u>	<u>1,800,898,882</u>
Commission and clearing expenses		(569,365,251)	(406,223,682)
Staff costs		(225,270,186)	(207,792,406)
Operating lease rental in respect of leased premises		(5,149,547)	(5,141,089)
Depreciation		(17,843,927)	(17,893,047)
Information technology and communications expenses		(70,718,363)	(67,216,041)
Management fees to related companies		(356,639,219)	(329,529,559)
Other operating expenses		(75,366,978)	(75,785,813)
		<u>(1,320,353,471)</u>	<u>(1,109,581,637)</u>
Finance costs		(79,346,905)	(96,013,094)
Profit before taxation		<u>891,166,877</u>	<u>595,304,151</u>
Income tax expense	5	(127,396,126)	(51,316,087)
Profit for the period		<u>763,770,751</u>	<u>543,988,064</u>
Profit attributable to: Equity holders of the Company		<u>763,770,751</u>	<u>543,988,064</u>

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited Six months ended 30 June	
	2021 HK\$	2020 HK\$
Profit for the period	763,770,751	543,988,064
Total comprehensive income for the period	<u>763,770,751</u>	<u>543,988,064</u>
Attributable to: Equity holders of the Company	<u>763,770,751</u>	<u>543,988,064</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	Notes	Unaudited 30 June 2021 HK\$	Audited 31 December 2020 HK\$
NON-CURRENT ASSETS			
Plant and equipment	6	-	-
Right-of-use assets		24,416,096	41,395,913
Intangible assets		54,035,770	54,899,881
Financial assets at fair value through other comprehensive income		354,935	354,921
Statutory deposits and other assets		121,125,119	208,504,119
Deferred income tax assets		669,027	846,570
Total non-current assets		200,600,947	306,001,404
CURRENT ASSETS			
Financial assets at fair value through profit or loss	7	1,293,594,392	871,110,199
Debt instruments at amortised cost	8	699,986,461	349,976,519
Derivative financial instruments	9	140,492,778	389,548,704
Loans and receivables	10	46,140,776,525	40,248,452,738
Amounts due from the immediate holding company	13	3,306,551,703	3,317,498,684
Amounts due from fellow subsidiaries	12	10,853,627	-
Amounts due from a related company	13	36,020	8,152,301
Cash and balances with banks	11	5,669,356,595	6,312,972,538
Total current assets		57,261,648,101	51,497,711,683
CURRENT LIABILITIES			
Bank loans		-	400,929,091
Subordinated loans from the immediate holding company	13	2,500,000,000	2,500,000,000
Amounts due to the immediate holding company	13	22,503,760,508	8,043,854,809
Amounts due to fellow subsidiaries	12	1,515,183	2,470,435
Accounts and other payables	14	12,899,638,640	20,867,449,736
Leased liabilities		25,394,372	34,912,125
Deposits from customers	15	6,866,313,212	7,466,067,447
Derivative financial instruments	9	245,898,094	539,484,247
Financial liabilities at fair value through profit or loss	16	14,273	416,565,742
Taxation payable		284,310,615	157,848,365
Total current liabilities		45,326,844,897	40,429,581,997
NET CURRENT ASSETS		11,934,803,204	11,068,129,686
TOTAL ASSETS LESS CURRENT LIABILITIES		12,135,404,151	11,374,131,090

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 30 JUNE 2021

	Notes	Unaudited 30 June 2021 HK\$	Audited 31 December 2020 HK\$
TOTAL ASSETS LESS CURRENT LIABILITIES		12,135,404,151	11,374,131,090
NON-CURRENT LIABILITIES			
Accounts and other payables	14	35,254,747	29,974,747
Leased liabilities		-	7,777,690
Total non-current liabilities		<u>35,254,747</u>	<u>37,752,437</u>
Net assets		<u><u>12,100,149,404</u></u>	<u><u>11,336,378,653</u></u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	17	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		<u>10,100,134,404</u>	<u>9,336,363,653</u>
Total equity		<u><u>12,100,149,404</u></u>	<u><u>11,336,378,653</u></u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited			
	Share capital	Reserve for fair value change of financial assets at fair value through other comprehensive income	Retained earnings	Total
	HK\$	HK\$	HK\$	HK\$
Balance at 1 January 2021	2,000,000,000	15,000	9,336,363,653	11,336,378,653
Profit and total comprehensive income for the period	-	-	763,770,751	763,770,751
Balance at 30 June 2021	<u>2,000,000,000</u>	<u>15,000</u>	<u>10,100,134,404</u>	<u>12,100,149,404</u>
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>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited Six months ended 30 June	
	2021 HK\$	2020 HK\$
Net cash (outflow)/inflow from operating activities	(103,654,689)	1,109,495,374
Net cash (outflow)/inflow from investing activities	(349,956,373)	999,865
Net cash (outflow)/inflow from financing activities	(418,875,090)	281,886,452
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(872,486,152)	1,392,381,691
Cash and cash equivalents at 1 January	5,136,563,512	3,523,790,851
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>4,264,077,360</u>	<u>4,916,172,542</u>
Analysis of balance of cash and cash equivalents		
Cash at banks and in hand	3,562,918,882	2,282,569,034
Short-term bank deposits and placements with banks with original maturity within three months	701,158,478	2,633,603,508
	<hr/>	<hr/>
Cash and cash equivalents at end of period	<u>4,264,077,360</u>	<u>4,916,172,542</u>

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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 2020 and should be read in conjunction with the Group’s consolidated financial statements for 2020.

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

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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 2021 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 2021</u>								
Total income – external	61,744	1,424,628	333,124	447,656	12,957	10,758	-	2,290,867
Total income – inter-segment	-	-	-	-	-	10,080	(10,080)	-
Commission and clearing expenses	(48)	(500,509)	(8,098)	(60,432)	(3)	(275)	-	(569,365)
Depreciation	-	(11,760)	(170)	(4,039)	-	(1,875)	-	(17,844)
Other operating expenses	(59,839)	(148,321)	(76,342)	(121,628)	(3,486)	33,111	-	(376,505)
Finance costs – external	-	(3,277)	(4,647)	(1,274)	-	(70,149)	-	(79,347)
Finance costs – inter-segment	-	-	(10,080)	-	-	-	10,080	-
Segment results	1,857	760,761	233,787	260,283	9,468	(18,350)	-	1,247,806
Unallocated cost								(356,639)
Operating profits								891,167
<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 expenses	(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								595,304

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

4 Revenue and trading gain, net

(a) Revenue

	Unaudited Six month ended 30 June	
	2021 HK\$	2020 HK\$
Brokerage commission	1,343,195,468	814,126,702
Underwriting and placement commission	122,115,079	143,424,587
Corporate finance and loan syndication fees	54,452,369	25,001,562
Interest income from bank deposits and loans to customers	306,876,318	559,437,679
Dividend income from listed equities held for trading	23,790,983	7,620,752
	<u>1,850,430,217</u>	<u>1,549,611,282</u>

(b) Trading gain, net

	2021 HK\$	2020 HK\$
Net realised/unrealised (loss)/gain on financial assets and financial liabilities		
- Equity securities	(97,029,216)	(175,033,059)
- Debt securities	30,342,423	38,834,673
- Derivative financial instruments	409,304,866	264,766,127
	<u>342,618,073</u>	<u>128,567,741</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 2020: 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	
	2021 HK\$	2020 HK\$
Current income tax:		
- Hong Kong profits tax	126,417,883	51,538,832
- Overseas taxation	800,700	-
Deferred income tax	177,543	(222,745)
	<u>127,396,126</u>	<u>51,316,087</u>

6 Plant and equipment

During the six months ended 30 June 2021, the Group did not spend (first half of 2020: Nil) on the acquisitions of plant and equipment.

7 Financial assets at fair value through profit or loss

	Unaudited At 30 June 2021 HK\$	Audited At 31 December 2020 HK\$
Trading securities, at fair value		
- Listed equity securities	<u>1,293,594,392</u>	<u>871,110,199</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

8 Debt instruments at amortised cost

	Unaudited At 30 June 2021 HK\$	Audited At 31 December 2020 HK\$
Hong Kong Exchange Fund Bills, unlisted	699,998,274	349,992,303
Less: Allowance for impairment losses – Stage 1	(11,813)	(15,784)
	<u>699,986,461</u>	<u>349,976,519</u>
Analysed by type of issuers as follows:		
Sovereigns	<u>699,986,461</u>	<u>349,976,519</u>
Analysed by issue specific credit rating as follows:		
Fitch, AA+ to AA-	<u>699,986,461</u>	<u>349,976,519</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

9 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 type of swap transactions undertaken by the Group is foreign currency swaps.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

9 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 2021	
		Assets HK\$	Liabilities HK\$
Exchange rate contracts	1,688,002	9,045,328	5,094,415
Equity contracts	12,149,797	131,447,450	240,803,679
		140,492,778	245,898,094
		140,492,778	245,898,094
	Notional amount HK\$'000	Audited At 31 December 2020	
		Assets HK\$	Liabilities HK\$
Exchange rate contracts	1,997,586	7,188,051	3,806,895
Equity contracts	14,093,109	382,360,653	535,677,352
		389,548,704	539,484,247
		389,548,704	539,484,247

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10 Loans and receivables

	Unaudited At 30 June 2021 HK\$	Audited At 31 December 2020 HK\$
Accounts receivable from dealing in securities	11,136,056,359	21,435,351,802
Accounts receivable from securities trading	641,085,761	1,059,976,493
Loans to customers	34,132,940,613	17,570,868,965
Fees and commission receivable	142,634,347	146,034,540
Deposits, prepayments and other receivables	139,361,645	88,140,869
	<u>46,192,078,725</u>	<u>40,300,372,669</u>
Gross		
Impairment allowance (stage 1 under HKFRS 9)		
- loans to customers	(17,045)	(7,094)
- fees and commission receivable	(438,138)	(1,151,616)
Impairment allowance (stage 3 under HKFRS 9)		
- loans to customers	(1,268,291)	(1,266,184)
- fees and commission receivable	(49,578,726)	(49,495,037)
	<u>46,140,776,525</u>	<u>40,248,452,738</u>

Loans to customers, which include receivables from margin clients of approximately HK\$29,077 million (end of 2020: approximately HK\$12,678 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.

11 Cash and balances with banks

	Unaudited At 30 June 2021 HK\$	Audited At 31 December 2020 HK\$
Cash at bank and in hand	3,562,918,882	2,767,732,188
Short-term bank deposits and placements		
- with original maturity within three months	701,158,478	2,368,831,324
- with original maturity over three months	1,405,385,227	1,176,586,573
Less: Allowance for impairment losses – Stage 1	(105,992)	(177,547)
	<u>5,669,356,595</u>	<u>6,312,972,538</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

11 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 2021, trust accounts with authorised institutions and other financial institutions not otherwise dealt with in the condensed consolidated financial statements amounted to approximately HK\$52,410 million (end of 2020: HK\$45,466 million).

12 Amounts due from/to fellow subsidiaries

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

13 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 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 2020: 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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14 Accounts and other payables

	Unaudited At 30 June 2021 HK\$	Audited At 31 December 2020 HK\$
Accounts payable from dealing in securities	12,570,292,041	20,509,190,806
Accounts payable from securities trading	-	53,175
Discretionary bonus payable	263,310,439	250,110,439
Others payables and accrued expenses	101,290,907	138,070,063
	<u>12,934,893,387</u>	<u>20,897,424,483</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.

15 Deposits from customers

All the deposits from customers are time, call and notice deposits and currency-linked deposits. The majority of them will mature within 3 months.

16 Financial liabilities at fair value through profit or loss

	Unaudited At 30 June 2021 HK\$	Audited At 31 December 2020 HK\$
Trading securities, at fair value		
- Listed equity securities	14,273	416,565,742
	<u>14,273</u>	<u>416,565,742</u>

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17 Share capital

	Unaudited At 30 June 2021 HK\$	Audited At 31 December 2020 HK\$
Issued and fully paid: 200,000 (2020: 200,000) ordinary shares	<u>2,000,000,000</u>	<u>2,000,000,000</u>

18 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, 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 related parties in BOCI Group and Bank of China Limited are as follows:

	Unaudited Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Condensed consolidated income statement items:		
Interest income from bank deposits & others	9,101	75,028
Brokerage commission	558,179	363,256
Other handling income	2,897	1,117
Underwriting and placement commission	6,102	17,823
Management fee income	18,846	27,547
Interest expense from loans and other borrowings	(67,876)	(79,893)
Commission expenses arising from brokerage activities	(250,501)	(153,990)
Management fee expense	(356,639)	(329,530)
Operating lease rental in respect of leased premises	<u>(4,995)</u>	<u>(4,999)</u>