

BOCI ASIA LIMITED
中銀國際亞洲有限公司

2022 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 2022

		Unaudited Six months ended 30 June	
	Notes	2022 HK\$	2021 HK\$
Revenue	4a	1,071,970,503	1,850,430,217
Trading gain, net	4b	19,251,227	342,618,073
Other income		88,284,657	97,818,963
Total income		<u>1,179,506,387</u>	<u>2,290,867,253</u>
Commission and clearing expenses		(333,851,693)	(569,365,251)
Staff costs		(215,415,679)	(225,270,186)
Operating lease rental in respect of leased premises		(5,264,387)	(5,149,547)
Depreciation		(9,805,523)	(17,843,927)
Information technology and communications expenses		(69,143,924)	(70,718,363)
Management fees to related companies		(304,053,858)	(356,639,219)
Other operating expenses		(47,890,839)	(75,366,978)
		<u>(985,425,903)</u>	<u>(1,320,353,471)</u>
Finance costs		(33,795,179)	(79,346,905)
Profit before taxation		<u>160,285,305</u>	<u>891,166,877</u>
Income tax expense	5	(32,248,497)	(127,396,126)
Profit for the period		<u>128,036,808</u>	<u>763,770,751</u>
Profit attributable to: Equity holders of the Company		<u>128,036,808</u>	<u>763,770,751</u>

BOCI ASIA LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited	
	Six months ended 30 June	
	2022	2021
	HK\$	HK\$
Profit for the period	128,036,808	763,770,751
Total comprehensive income for the period	<u>128,036,808</u>	<u>763,770,751</u>
Attributable to:		
Equity holders of the Company	<u>128,036,808</u>	<u>763,770,751</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	Notes	Unaudited 30 June 2022 HK\$	Audited 31 December 2021 HK\$
NON-CURRENT ASSETS			
Plant and equipment	6	-	-
Right-of-use assets		52,679,652	7,436,279
Intangible assets		52,307,549	53,171,660
Financial assets at fair value through other comprehensive income		299,744	299,883
Statutory deposits and other assets		164,041,431	159,867,689
Deferred income tax assets		728,679	677,847
Total non-current assets		<u>270,057,055</u>	<u>221,453,358</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss	7	481,048,309	769,825,935
Debt instruments at amortised cost	8	898,994,095	699,974,585
Derivative financial instruments	9	73,849,352	152,780,086
Loans and receivables	10	25,885,321,933	23,264,181,113
Amounts due from the immediate holding company	13	3,233,358,201	2,848,852,750
Amounts due from fellow subsidiaries	12	765,251	723,209
Cash and balances with banks	11	6,186,552,579	4,879,475,134
Total current assets		<u>36,759,889,720</u>	<u>32,615,812,812</u>
CURRENT LIABILITIES			
Subordinated loans from the immediate holding company	13	2,500,000,000	2,500,000,000
Bank loans		100,040,959	200,115,171
Amounts due to the immediate holding company	13	3,716,570,331	6,113,018,128
Amounts due to fellow subsidiaries	12	577,085	2,497,201
Amounts due to a related company	13	351,340	367,115
Accounts and other payables	14	11,865,490,072	5,198,436,834
Deposits from customers	15	6,202,694,587	6,185,468,304
Derivative financial instruments	9	175,281,023	193,611,146
Financial liabilities at fair value through profit or loss	16	331,037	28,373,344
Lease liabilities		17,610,049	7,777,690
Taxation payable		168,856,806	291,451,414
Total current liabilities		<u>24,747,803,289</u>	<u>20,721,116,347</u>
NET CURRENT ASSETS		<u>12,012,086,431</u>	<u>11,894,696,465</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>12,282,143,486</u>	<u>12,116,149,823</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 30 JUNE 2022

	Notes	Unaudited 30 June 2022 HK\$	Audited 31 December 2021 HK\$
TOTAL ASSETS LESS CURRENT LIABILITIES		12,282,143,486	12,116,149,823
NON-CURRENT LIABILITIES			
Accounts and other payables	14	26,341,138	23,513,138
Leased liabilities		35,128,855	-
Total non-current liabilities		<u>61,469,993</u>	<u>23,513,138</u>
Net assets		<u><u>12,220,673,493</u></u>	<u><u>12,092,636,685</u></u>
EQUITY			
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		135,000	135,000
Retained earnings		10,220,538,493	10,092,501,685
Total equity		<u><u>12,220,673,493</u></u>	<u><u>12,092,636,685</u></u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	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 2022	2,000,000,000	135,000	10,092,501,685	12,092,636,685
Profit and total comprehensive income for the period	-	-	128,036,808	128,036,808
Balance at 30 June 2022	<u>2,000,000,000</u>	<u>135,000</u>	<u>10,220,538,493</u>	<u>12,220,673,493</u>
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>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited Six months ended 30 June	
	2022 HK\$	2021 HK\$
Net cash inflow/(outflow) from operating activities	2,252,365,747	(103,654,689)
Net cash outflow from investing activities	(198,189,177)	(349,956,373)
Net cash outflow from financing activities	(109,491,260)	(418,875,090)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	1,944,685,310	(872,486,152)
Cash and cash equivalents at 1 January	2,770,029,111	5,136,563,512
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<u>4,714,714,421</u>	<u>4,264,077,360</u>
Analysis of balance of cash and cash equivalents		
Cash at banks and in hand	4,219,056,670	3,562,918,882
Short-term bank deposits and placements with banks with original maturity within three months	495,657,751	701,158,478
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Cash and cash equivalents at end of period	<u>4,714,714,421</u>	<u>4,264,077,360</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 2021 and should be read in conjunction with the Group’s consolidated financial statements for 2021.

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 2022 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 2022</u>								
Total income – external	18,696	890,714	170,981	77,579	10,250	11,286	-	1,179,506
Total income – inter-segment	-	-	-	-	-	15,042	(15,042)	-
Commission and clearing expenses	-	(309,438)	(3,017)	(21,231)	-	(166)	-	(333,852)
Depreciation	-	(5,033)	-	(4,019)	-	(754)	-	(9,806)
Other operating expenses	(50,636)	(127,388)	(68,889)	(87,038)	(3,541)	(222)	-	(337,714)
Finance costs – external	-	(2,952)	(1,254)	(1,121)	-	(28,468)	-	(33,795)
Finance costs – inter-segment	-	-	(15,042)	-	-	-	15,042	-
Segment results	(31,940)	445,903	82,779	(35,830)	6,709	(3,282)	-	464,339
Unallocated cost								(304,054)
Operating profits								<u>160,285</u>
<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								<u>891,167</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	
	2022 HK\$	2021 HK\$
Brokerage commission	729,109,224	1,343,195,468
Underwriting and placement commission	25,929,046	122,115,079
Corporate finance and loan syndication fees	26,787,784	54,452,369
Interest income from bank deposits and loans to customers	273,712,439	306,876,318
Dividend income from listed equities held for trading	16,432,010	23,790,983
	<u>1,071,970,503</u>	<u>1,850,430,217</u>

(b) Trading gain, net

	2022 HK\$	2021 HK\$
Net realised/unrealised (loss)/gain on financial assets and financial liabilities		
- Equity securities	(55,476,985)	(97,029,216)
- Debt securities	24,357,844	30,342,423
- Derivative financial instruments	50,370,368	409,304,866
	<u>19,251,227</u>	<u>342,618,073</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 2021: 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	
	2022 HK\$	2021 HK\$
Current income tax:		
- Hong Kong profits tax	32,299,329	126,417,883
- Overseas taxation	-	800,700
Deferred income tax	(50,832)	177,543
	<u>32,248,497</u>	<u>127,396,126</u>

6 Plant and equipment

During the six months ended 30 June 2022, the Group did not spend (first half of 2021: Nil) on the acquisitions of plant and equipment.

7 Financial assets at fair value through profit or loss

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Trading securities, at fair value		
- Listed equity securities	<u>481,048,309</u>	<u>769,825,935</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

8 Debt instruments at amortised cost

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Hong Kong Exchange Fund Bills, unlisted	899,065,368	699,992,603
Less: Allowance for impairment losses – Stage 1	(71,273)	(18,018)
	<u>898,994,095</u>	<u>699,974,585</u>
Analysed by type of issuers as follows:		
Sovereigns	<u>898,994,095</u>	<u>699,974,585</u>
Analysed by issue specific credit rating as follows:		
Fitch, AA+ to AA-	<u>898,994,095</u>	<u>699,974,585</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

9 Derivative financial instruments

The Group enters into equity, foreign exchange and interest rate 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. The major types of forward and futures transactions undertaken by the Group are index futures.
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 securities (warrants).
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 2022	
		Assets HK\$	Liabilities HK\$
Exchange rate contracts	914,082	1,550,361	4,819,863
Equity contracts	6,449,687	72,298,991	170,461,160
		73,849,352	175,281,023
		73,849,352	175,281,023
	Notional amount HK\$'000	Audited At 31 December 2021	
		Assets HK\$	Liabilities HK\$
Exchange rate contracts	1,406,441	4,768,569	1,925,139
Equity contracts	5,183,416	148,011,517	191,686,007
		152,780,086	193,611,146
		152,780,086	193,611,146

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

10 Loans and receivables

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Accounts receivable from dealing in securities	12,208,134,025	5,749,369,464
Loans to customers	13,560,961,701	17,399,057,297
Fees and commission receivable	94,370,330	98,794,647
Deposits, prepayments and other receivables	82,261,218	77,137,428
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Gross	25,945,727,274	23,324,358,836
Less: Impairment allowance	(60,405,341)	(60,177,723)
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	<u>25,885,321,933</u>	<u>23,264,181,113</u>

Loans to customers, which include receivables from margin clients of approximately HK\$9,844 million (end of 2021: approximately HK\$12,653 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 a clearing participant and other brokers, HKFE Clearing Corporation Limited and the SEHK Options Clearing House Limited.

11 Cash and balances with banks

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Cash at bank and in hand	4,219,056,670	2,764,030,624
Short-term bank deposits and placements		
– with original maturity within three months	495,657,751	5,998,487
– with original maturity over three months	1,472,155,472	2,109,719,324
Less: Allowance for impairment losses – Stage 1	(317,314)	(273,301)
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	<u>6,186,552,579</u>	<u>4,879,475,134</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 as part of its normal business transactions. At 30 June 2022, trust accounts with authorised institutions not otherwise dealt with in the condensed consolidated financial statements amounted to approximately HK\$44,184 million (end of 2021: HK\$39,658 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 to an associate of the immediate holding company are unsecured, interest free and repayable upon demand.

Subordinated loans were borrowed from the immediate holding company of HK\$2,500,000,000 (end of 2021: 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

14 Accounts and other payables

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Accounts payable from dealing in securities	11,621,745,714	4,955,693,949
Accounts payable from securities trading	-	26,656
Discretionary bonus payable	181,434,001	174,364,003
Others payables and accrued expenses	88,651,495	91,865,364
	<u>11,891,831,210</u>	<u>5,221,949,972</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 and other financial institutions.

15 Deposits from customers

All the deposits from customers are time, call and notice deposits. The majority of them will mature within 1 year.

16 Financial liabilities at fair value through profit or loss

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Trading securities, at fair value		
- Listed equity securities	<u>331,037</u>	<u>28,373,344</u>

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

17 Share capital

	Unaudited At 30 June 2022 HK\$	Audited At 31 December 2021 HK\$
Issued and fully paid: 200,000 (2021: 200,000) ordinary shares	2,000,000,000	2,000,000,000

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	
Condensed consolidated income statement items:	2022 HK\$'000	2021 HK\$'000
Interest income from bank deposits	9,956	9,101
Brokerage commission	344,817	558,179
Other handling income	37	2,897
Underwriting and placement commission and corporate finance fees	3,804	6,102
Management fee income	29,041	18,846
Interest expense from loans and other borrowings	(28,114)	(67,876)
Commission expenses arising from brokerage activities	(150,026)	(250,501)
Management fee expense	(304,054)	(356,639)
Operating lease rental in respect of leased premises	(4,390)	(4,995)
Marketing and business promotion expenses	(11,000)	(10,500)
Staff medical, recruitment, training & welfare expenses	(3,715)	(3,913)
Bank charges	(2,683)	(11,304)
	(2,683)	(11,304)